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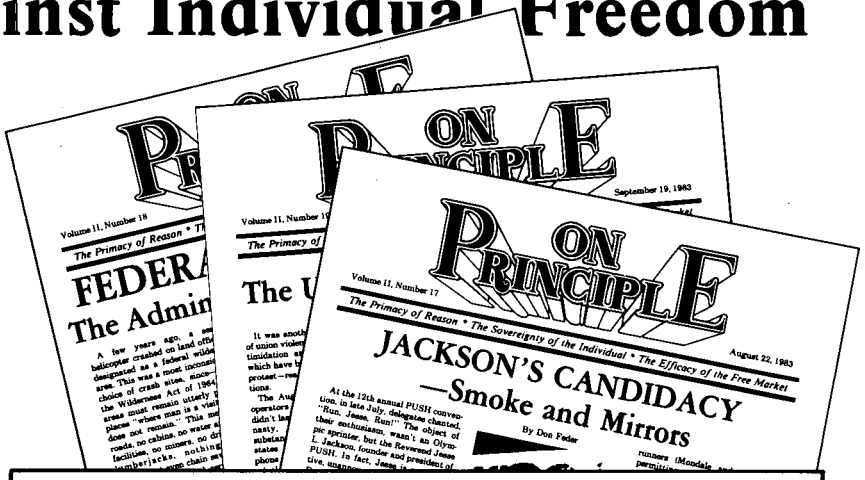
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NOTEs

Our August cover story by David Lips on the food stamp mess and private alternatives to it has received a lot of attention. A condensed version that we sent out as an op-ed piece has appeared in newspapers coast-to-coast, including Honolulu's *Pacific Business News*, the *Denver Post*, Vancouver, Washington's *Columbian*, the *Texarkana Gazette*, and the West Palm Beach *Evening Times*. Doug Bandow cited the article on the *USA Today* op-ed page, and in September the White House requested a copy.

Privatization continues getting good press. The August issue of *Venture*, the magazine for entrepreneurs, devoted a whole page to the subject, quoting REASON contributors Stuart Butler and Steve Hanke. It discussed a number of examples familiar to REASON readers, including privatization of air traffic control (May's lead article), of garbage collection (Nov. 1980), and fire protection (see last month's issue for the latest episode).

September's cover story on the United Farm Workers union and its growing hold on California agriculture is attracting many requests for reprints. So we've printed them up and have them available in quantity. For less than 100 reprints, the price is 75¢ each; quantity discounts are available. Author Patty Newman was interviewed about the article on Wednesday, August 24, on the Clark Weber program on WIND in Chicago. And the *Arizona Republic* (Phoenix) has reprinted a condensed version of the article.

Other REASON people continue to crop up all over. Frequent education contributor Sam Blumenfeld's book, *Is Public Education Necessary?*, was cited and described as "brilliant" in the lead paragraph of a hard-hitting *Fortune* article (Sept. 19) by Peter Brimelow, "What to Do about America's Schools." And the ubiquitous Tom Hazlett graced the op-ed pages of the *Wall Street Journal* and the *New York Times* within the same week in September, plugging REASON's June cover story on privatization of weather services in the former and debunking antitrust shibboleths in the latter. Military reformer Dina Rasor was the subject of a three-page article in the August *Working Woman* titled "One Woman vs. the Pentagon." And Fred Smith, subject of our September Spotlight column, coauthored (with R. J. Smith) a *New York Times* op-ed piece on James Watt and his failure to understand privatization.

Our in-house staff have also been getting attention. Controller John Northrup appeared on Cable News Network's "Crossfire" program on August 30. The program generated a lot of mail, according to CNN producers. And Assistant Editor Paul Gordon has joined columnist Patrick Cox as a semiregular contributor to *USA Today*'s op-ed page.

Academic Program Director Tibor Machan is enjoying his autumn sojourn in Lugano, Switzerland—the only spot in that country where palm trees grow! He's there for one semester as the E. C. Harwood Professor at Franklin College. Some of you will recall REASON's interview with the late Professor Harwood (June 1981), known for his advocacy of gold as an inflation hedge long before this view became fashionable. While in Europe, Tibor spoke at the recent Libertarian International European convention in Brussels and has given talks in Lugano on business and on Marxism. He is also editing a volume of essays on business ethics and writing a paper on this subject for the *American Philosophical Quarterly*. And his *Recent Work in Philosophy*, coedited with Kenneth G. Lucey, was just released from Rowman and Allanheld.

December is the time of year when many people make end-of-year contributions to charitable organizations. If you're considering a tax-deductible gift to the Reason Foundation, you may be able to double its effectiveness. Find out whether your employer has a *matching gift* program. If so, all you need to do is fill out a form and send a copy along with your contribution. We will then send the form back to your company, with proof of our tax-exempt status, whereupon the company will make a contribution to the Foundation equal in size to your own. A few companies even match at a two-for-one rate. Mail your contribution, with or without a matching gift form, to the Reason Foundation, 1018 Garden St., Santa Barbara, CA 93101. And if you want to know more about the Foundation's programs, just ask us for a copy of our quarterly *Reason Report*.

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EDITORIAL

Robert Poole, Jr.

Flying Through Hot Air

Has airline deregulation failed? That's what certain politicians, union leaders, and pundits are telling us, in the wake of the controversial bankruptcy filing by Continental Airlines.

There is no question that deregulation has caused major changes in the airline industry. And it is those changes that led to the difficulties of both Braniff (in 1982) and Continental (in 1983). But in a free-market economy, new companies are born and others die all the time. Bankruptcies don't constitute a verdict on deregulation. To assess the merits of five years of airline deregulation, we have to take a deeper look, beginning with the specific complaints of the critics.

• *"The airline industry is going broke."* Media reports focus only on the 8 or 10 largest US airlines—most of which have lost money for the past two recession years—as if they were the entire industry. Prior to deregulation, when every airline had its government-protected niche, that might have made some sense, as a first approximation. Today it is ludicrous. In the first four years of deregulation, the number of scheduled passenger airlines in interstate service went from 36 to 98 (after 40 years during which not a single new interstate carrier was allowed into the business!). Some of these 98 are former local or intrastate airlines, but 22 are brand-new firms.

Already the newcomers have captured 8 percent of the market, while former local carriers have increased their share from 9 to 13 percent. And most of the newcomers are making profits, not losses. The 12 publicly traded members of the Regional Airline Association netted $11.4 million last year, a profit margin of 4.5 percent.

• *"Consumers are being hurt."* This charge is leveled for two reasons. One is the often large disparity in air fares between major long-haul routes and shorter hops. Since deregulation, airlines *have* largely ended cross-subsidies of short, low-density routes by long, high-density routes. The fact is, it can cost an airline three to five times as much per seat mile to run a two-thirds-empty 737 on a short route as it does to fly a two-thirds-full DC-10 on a long haul. So why *shouldn't* the high-cost passengers be charged more by the airlines?

But observers also worry that small communities are being cut off from air service. The evidence simply does not bear this out. In the 10 years *prior* to deregulation, airlines ended service at 173 communities. But since deregulation, *no* community has lost all airline service. What *has* occurred is a large-scale substitution of commuter airlines flying turboprops for trunk airlines flying jets. In many cases the result has been a larger number of flights, albeit in smaller planes. Overall, there has been an increase in flights at large, medium, and small hub airports, and there has been a net decrease of only 9 percent at the very small "nonhub" airports.

• *"The big airlines will destroy the little ones."* This charge is being made by officials of airline workers' unions and their allies, such as sociologist Stanley Aronowitz. In a recent op-ed piece, Aronowitz claimed, "Like the computer industry, which is in the process of being grabbed by the giants [an incredible claim in 1983!], the innovators like Laker Airlines...are already out of business, and there are talks of mergers and more bankruptcies. Even the limited recovery now under way will not stop the consolidation of the market in fewer hands." Yet the facts, as we've seen, are precisely the opposite. The giants' share of the market has plunged from 91 to 79 percent, thanks to innovators like Jet America, Muse Air, People Express, and Southwest. And in just the first four years!

What deregulation *is* doing is restructuring what had been a stagnant, producer-oriented industry into a dynamic, consumer-oriented one. Under regulation, airlines accepted union demands for make-work practices and exorbitant wage scales; as government-protected near-monopolists, they could easily pass the higher costs along to consumers. Today, the *average* worker for major airlines makes *$39,000* in wages and benefits—70 percent more than the average working person. For the innovative newcomers, by contrast, the average is only $22,000.

The newcomers have translated their cost advantage into dramatically lower prices—prices the giants have largely been forced to meet. Newcomer Mid-Pacific Air has essentially halved all fares for interisland Hawaii service, despite flying only turboprops. People Express charges extra for stowing luggage and serving meals—but customers love its consistently lower fares.

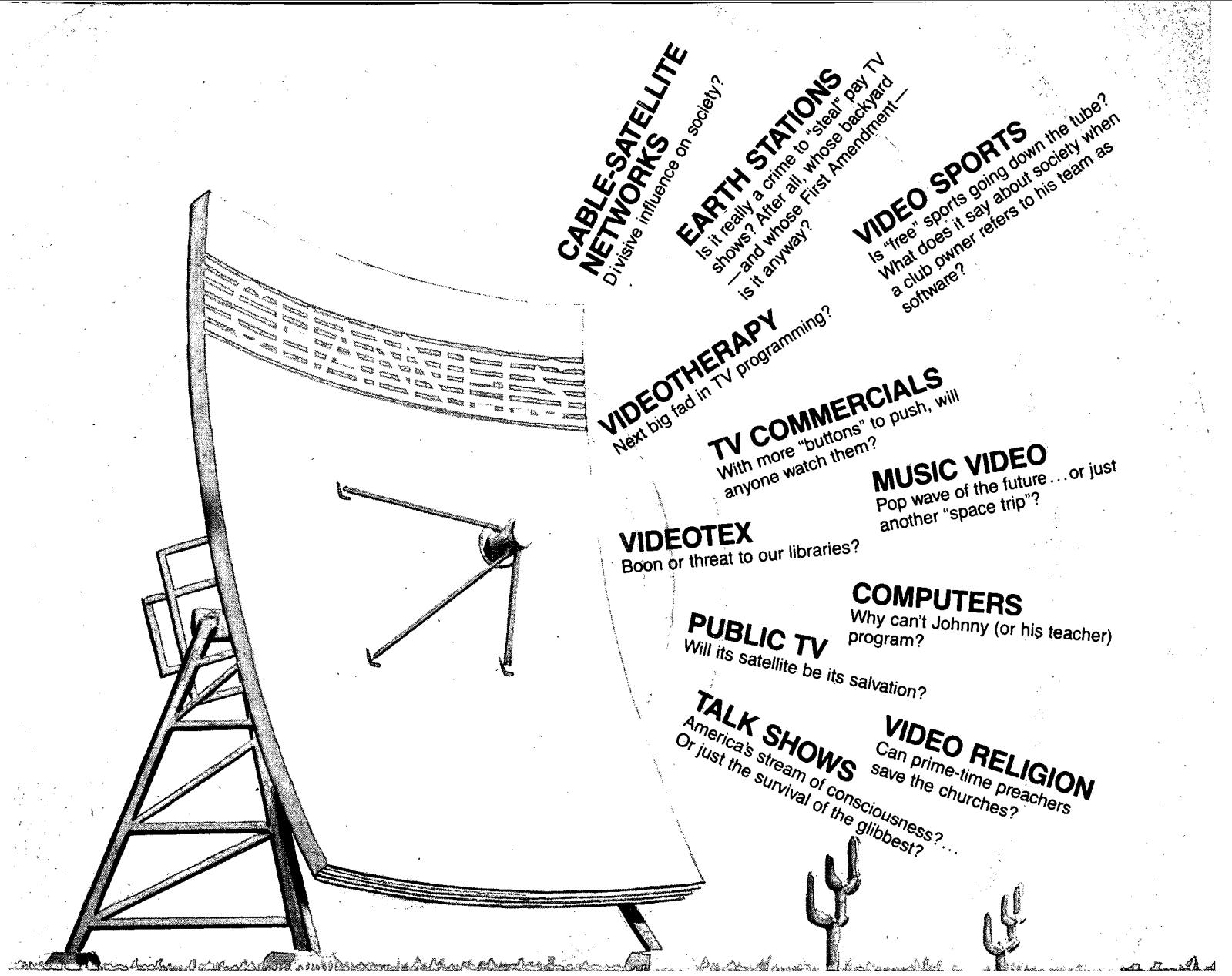
Other newcomers have specialized in new ideas in service: Muse Air offers exclusively no-smoking flights, while New York Air provides business travelers with more amenities than Eastern's Air Shuttle. And a few newcomers like Air One and Regent Air are competing by offering luxury service. Route structures have changed, too. Expanded "hub-and-spoke" systems make connections easier for passengers, while generating more business for the airline involved.

Overall, the more-competitive environment has dramatically increased airline productivity. And the ultimate beneficiary is the airline passenger. Under the Civil Aeronautics Board's old pricing formula, fares would have increased by 67 percent since 1978. Under competition, however, they have gone up only 48 percent. The difference translates into something over *$2 billion* in savings each year. Thus, passengers have already saved about $10 billion, thanks to deregulation. And some of that $10 billion, of course, would have gone to the now-disgruntled union workers.

In a sense, airline deregulation offers a test case for "industrial policy." If ever an industry needed an overhaul to shake out poor management, featherbedding, and bloated costs, it was the airlines. What deregulation has done is demonstrate how effective *competition* can be as an industrial policy.

The angry little coalition of union bosses, politicos, and pundits who want to clamp the straitjacket back on are giving us a preview of their plans for American industry. Instead of the fresh air of innovation and enterprise, their only remedies are subsidies and controls. Fortunately, they're likely to lose this particular battle. If enough people read the right lesson from the airlines' shakeout, they will lose the war over industrial policy, too.

Robert Poole, Jr.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Letters

Word from the Front

Your Global Trends report from England (Sept.) was both too optimistic and too pessimistic. The "Omega Project" of the Adam Smith Institute has not yet been published, although some items were leaked during our June election and denounced—I fear too flatteringly—as "the hidden agenda of the Conservative party."

On the other hand, the Conservative Party back in office is being forced to recognize that a continuation of all the present statist health, education, and welfare policies for even five more years will push government spending up to a full half of GNP, with emergent intolerable and electorally ruinous consequences. So we in the Adam Smith Institute are confident that many of the fine libertarian policies of our Omega Project will be adopted—regardless of what was said about and against such policies at the election.

For instance: the new minister of health recently ordered all subordinate authorities to put laundry and other services out to competitive tender. And if anyone has any doubts that there are vast savings to be made by such competitive privatization, they have only to heed the cries of the labor unions, who insist that their members will lose jobs left, right, and center as private competitors do a better job with fewer (but actually working) workers.

Antony Flew
Reading, England

Magazine Malpractice?

Recently I have become concerned about REASON's frequent defense of "alternative" medical practitioners. REASON has always been suitably skeptical of humbuggery such as psychic powers, palm readings, astrology, and UFOs. However, it seems to be developing a fondness in its editorial heart for medical charlatanism, which is not worthy of the level-headedness that otherwise prevails in this excellent magazine.

We read of support for attempts to break up the "medical monopoly" ("Healthy Symptoms," Trends, June), and to the extent that this is merely opposition to an economic cartel (that is, barring entry to the profession to fully competent persons for economic reasons only), I support it. But when it comes to advocacy of the legal practice of "alternative medicine," let the reader beware!

Who are the most popular "alternative medical practitioners" today, who stand most to benefit from the "breakup of the medical monopoly"?

- Chiropractors, who claim that all human diseases can be cured by their "skillful" pushing on or twisting the sufferer's back or neck.
- Acupuncturists, whose "science" describes nonexistent lines of "energy" in the body as well as nonexistent internal organs (such as the "triple warmer").
- Radionics, which claims to heal diseases using ridiculous electromagnetic gizmos. (Three cheers for the FDA, who have been tracking down and arresting such vultures for years!)
- "Holistic healers," many of whom pre-

(Continued on p. 62)

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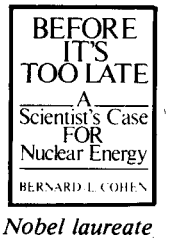

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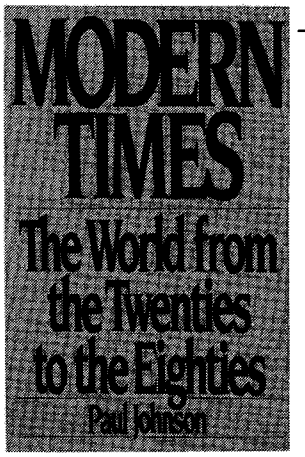

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How do you score on men and events?

Fill in the blanks with the people Paul Johnson is referring to:

"The _____ invasion [of Washington], one visiting statesman observed, was 'like watching the Borgia brothers take over a respectable north Italian town'." (Page 614)

"In the atomic field Soviet agents included Julius and Ethel Rosenberg. Morton Sobell, David Greenglass, Harry Gold, _____ (alias Alexander Stevens), to whom Whittaker Chambers acted as courier, and Jacob Golos, as well as Klaus Fuchs, who had been cleared by British security." (Page 458)

"Yet _____ was not a statist. He said he was against any attempt 'to smuggle fascism into America through the back door'. On many issues he was a liberal....He did not make anti-Semitic jokes, like Woodrow Wilson and his wife or Franklin Roosevelt. To a very wide spectrum of educated American opinion, he was the leading American public man..." (Page 243)

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brickbats

The population of Carter, South Dakota, consists of just six adults and one child. Yet Washington insists on treating the prairie hamlet as a full-fledged city and swamps it with offers of unneeded aid. "Every day we get at least one government letter telling us about a sewer program or some kind of grant," says town treasurer Betty Tideman. "I tried to tell these agencies we are just a town of seven people, but it never made any difference." The South Dakotans finally came up with a solution. Carter will simply cease to exist by giving up its status as an incorporated town. "It was either that, or hire someone to fill out all these foolish forms," explains Mrs. Tideman.

The Environmental Protection Agency admits to a slight statistical goof. It announced that DuPont's plant in Deepwater, New Jersey, generated 40 million tons of hazardous wastes in 1981. But that's as much hazardous waste as the agency thought was produced nationwide. EPA spokesman George Garland explains now that 99 percent of the 40 million tons was *water* used to dilute the wastes. "Under our mixture rule, when you mix hazardous wastes with other substances, they all become hazardous wastes," he says. "It boils down to a philosophical issue of whether you believe dilution is the solution to pollution." Whatever that means. New Jersey officials say they've never had a problem with the plant. State purification tests require that fish live in the treated waste water for several days before the water is pumped back into the Delaware River. Not a single fish has died in the holding tank, the state says.

Down at Local 420 of the New York City Hospital Employees Union, they've apparently got some ideas about enforcing solidarity. Four union officials have been indicted on charges of stabbing a union member. What prompted the alleged attack? Why, the reactionary dolt thought he could stand up at a union meeting and voice his opposition to a dues increase, according to the indictment. The union had no comment about the assault, and—need you ask?—the dues increase was overwhelmingly adopted by the rank and file.

A New Jersey administrative law judge has ruled that a Japanese motorcycle manufacturer may not open a dealership in one county because it would take business away from a franchise in another county. U.S. Suzuki Motor Corp.'s desire to increase its product share is understandable, said Judge R. Jackson Dwyer; but the proposed dealership, he noted, would be selling in an area from which House of Suzuki, the other dealership, draws a substantial number of its customers. The problem is, said the judge, that a favorable credit agreement between U.S. Suzuki and its proposed dealership would allow it to undercut House of Suzuki's prices. That's marvelous. Now the government is protecting us from lower-priced motorcycles direct from the manufacturer. Hara-kiri is becoming a more viable option every day.

George Washington would never be allowed to chop down a cherry tree in Honolulu. In fact, a "certificate of appropriateness" is required by the Department of Land Utilization when a Makiki tree you wish to remove is larger than the law allows. All yard areas in the Punchbowl neighborhood must be landscaped, and any tree that's six inches or greater in trunk diameter cannot be removed unless it's either dead or a hazard to public safety. Any tree that is removed, which is visible from any street, must be replaced at the owner's expense. Government officials ask residents to turn in anyone cutting down a tree without the proper documents. Big Makiki is watching you!

Otto, a 14-year-old German school boy, objected to attending a "textile fabrication" class, otherwise known as knitting. He persuaded his high school to allow him to do extra math and English homework instead. But a new teacher, a real knit-picker with strong feminist views, revoked the youth's special status: knit or else! Otto refused to knit one, purl two, and was suspended. His father took it to court, and a judge ruled that knitting doesn't denigrate a boy's masculinity. Otto must knit, ja? Nein. As the court was deliberating, Otto, now 15, moved on to the next grade, where knitting was not part of the curriculum. There's a moral here someplace, but if you can unravel it, please let us know.

Restaurant owner Michael O'Keeffe thought it would be a fun idea to fill a barge with 200 tons of white sand and tie it up in the East River in New York City—a mini-beach in the middle of Manhattan. But some spoilsports complained that it blocked the view of the river and brought extra traffic. So, naturally, the city ordered the beach towed away. "You need a license to drive a car, and you need a permit to park a barge," said Susan Frank, City Ports and Terminals commissioner. "It's very basic."

—MARK EDWARD CRANE

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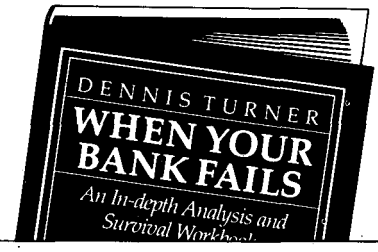

"There is an even broader tragedy . . . the low esteem to which the situation of the banks has brought capitalism itself."
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PREFACE

Consider Some Key Facts

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Fact: Foreign loans represent **113%** of the $154 billion net worth of *all* U.S. banks. The figure is **350%** for the nine largest U.S. banks. **(Banks list outstanding foreign loans as assets.)**

Fact: Typical of most Third World debtors, **Mexico's** foreign debt is **249%** of its total exports; **Brazil's** debt is **342%** of exports; **Argentina's** is **400%.**

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- Why many Third World countries will default on their debt—and throw the world into financial crisis within days. (p. 76)
- What disastrous actions the government may take.
- How to tell if **your bank** is safe. (p. 203)
- **The 24 safest banks in America** (including addresses and phone numbers). (p. 207)
- The best investment you can make to avoid losses when the banks collapse—and two investments that could produce tremendous profits (p. 187)
- How the government may confiscate part of your savings—and what you can do to reduce the risk.
- Why getting out of stocks and into the Swiss Franc could be dead wrong. (p. 193)
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TRENDS

PRIVATE OLYMPICS GET A RUN FOR THEIR MONEY

In 1976, in the aftermath of the summer Olympic Games in Montreal, the host city was left with a deficit of $1 billion. Wishing to avoid that fate next summer, the voters of Los Angeles precluded the use of city tax money to subsidize the '84 games.

Given that stricture, the Olympic Organizing Committee—which for the first time in Olympic history, is a private entity—has both tightened its belt and dug deep into the pocketbooks of corporate America. The result is that big business is funding almost the entire Olympics budget of $475 million—a modest bankroll compared to the '76 games' budget of $2 billion and the $9 billion spent on the '80 games in Moscow.

While corporate sponsorship fees totaled only 1.5 percent of the Montreal games budget, such fees are projected to pick up 34 percent of the budget for the coming summer Olympics. And ABC's $225 million ante for the rights to televise the event—three times what NBC paid for the TV rights to the Moscow games—makes up another 47 percent of the budget.

In addition to hitting up corporate sponsors for fees ranging from $4 million to $15 million, the organizers also persuaded private concerns to cover other costs, including those for constructing and upgrading various facilities. McDonald's, for example, put up $4 million to build a new swimming pool, and the Weingarten Foundation paid the bill for improvements at one Olympic site, the stadium at East Los Angeles College. The Southland Corp. kicked in $3 million for a new velodrome, and Atlantic Richfield picked up the tab for a new track at L.A.'s Coliseum.

In addition to innovations in the financing, though, great attention has been paid to keeping costs down. Olympic organizers have kept construction of permanent new facilities to a minimum—about $8 million in all, in contrast to a total of some $70 million spent on new facilities at the '76 and '80 summer games. In Los Angeles, the area's many existing facilities will be used extensively. Also, rather than build a brand-new Olympic Village, the organizers will house athletes and officials in various university dormitories in the area. Moreover, the games' paid staff will number only 45,000, half that of the Montreal and Moscow games. The organizers have recruited volunteers in force—including 400 volunteer trainers—and have persuaded corporations to staff some activities.

Other cost-cutting measures include the elimination of many of the perks typically lavished on Olympic officials—limousine service, for example—and other traditional extravagances, such as hosting the congresses of various international sports federations.

One cost that *will* be borne by taxpayers is that of security. Though the Olympic organizers have formed a considerable security force at their own expense, federal taxpayers will pay for the 700 FBI agents scheduled for duty in Southern California during the games, plus agents from several other federal bureaus. In addition, California state and local taxpayers will cover the costs of thousands of security personnel on hand for the event.

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FARMING OUT RISK

It's been nearly 50 years now that the government has been heavily subsidizing agriculture in this country on the rationale that farmers need protection from the ups and downs of their business. But the free market itself offers ways for farmers to protect their incomes from the extremes of drought and bumper crops. And these ways are coming in for increasing discussion as the cost of government agriculture policies balloons and their self-contradictions become ever more apparent.

Under the Reagan administration, taxpayer support of farmers has skyrocketed. Total government payments to farmers are estimated at $21.8 billion for fiscal 1983, up from $2.75 billion just three years ago. The reason is a huge grain surplus that has forced prices down but boosted outlays by the government, which pays farmers for the difference

between the market price and a government-set target price.

But this is just the most recent and egregious effect of farm policies that on the one hand have government paying farmers *not* to produce food and on the other hand paying them if they do produce "too much." As economic journalist Robert J. Samuelson concluded recently in his column in the *National Journal* and the *Los Angeles Times*, "The policies have never worked very well, and the justification for continuing them seems to grow weaker with every passing day."

But since government mechanisms have been a high-priced failure, is there any better way for farmers to cushion the risks inherent in their work? There is. As Susan Lee pointed out in a recent *Wall Street Journal* article, a free market has its ways of solving the problem.

One is forward contracts. Here, a farmer and a buyer agree that the farmer will sell a specific quantity of crops at a specific price to be delivered at a specific time. If the market price exceeds the contract price at the time of delivery, the farmer doesn't do as well as he would have by relying on the fluctuations of the market. But if the market price is *below* the contract price at the time of delivery, the farmer can breathe a huge sigh of relief.

Alternatively, the farmer can turn to the futures market and contract to sell a specific quantity on a specific date, with the price of the contract left to fluctuate with market forces. Whichever way the commodity's price goes, the farmer can always prevent a loss by buying back his own contract before the delivery date.

Soon, farmers will also be able to take advantage of options contracts, which give the *right* but not the *obligation* to sell at a specified price. As with forward and futures contracts, farmers are protected against huge losses if prices go through the floor; but with options, if prices zoom in the other direction, they can cash in on the windfall because they are not obliged to sell at the contract price. Agricultural options have been banned in the United States since 1936; but now the Commodity Futures Trading Commission has approved a three-year experiment in options, scheduled to begin in late 1984.

Forward contracts, the futures market, and the options market all illustrate the genius of the free market at work. Just as there are sellers and buyers of products and services, there can be sellers and buyers of risk. And the transactions can take place without expending a nickel of taxpayers' money.

Thus, there *is* a free-market alternative to the government's farm program boondoggle. So when the *Wall Street Journal*'s editors call it an unfair and "unnecessary redistribution of wealth away from taxpayers to farmers," they have the facts on their side.

FREEING DAY CARE

As the percentage of women who are working has grown in recent years, so has the number of day-care centers—and government regulation of the centers has, predictably, kept pace. But not all day-care providers are cowed by the regulators.

The *Los Angeles Times* recently reported that from Maine to Nebraska to California, evangelical Christian day-care programs are "engaged in what they see as a modern version of the David and Goliath battle, pitting church against state." In California alone, an estimated 30 religious day-care centers refuse to apply for the required state license.

In the Los Angeles area, the church schools are resisting licensure for several reasons. They object to requirements that their teachers, trained at Bible colleges, must have early-childhood-education credentials, which would mean attending secular schools. They refuse to accept a state ban on corporal punishment, as well as state health and safety regulations that are any more stringent than those for Sunday school classes. More generally, the schools say that their religious principles don't permit state regulation of church affairs.

Critics have charged that the evangelicals want exemption from state licensing so they can use corporal punishment or practice racial discrimination. But Kathleen Murray, director of the liberal Child Care Law Center in San Francisco, disagrees. "The main reason I believe these churches are seeking exemptions is because they are legitimately concerned with the free exercise of religion," she told the *Times*. And at least in Orange County, unlicensed day-care centers have escaped serious legal difficulties because they often comply voluntarily with most of the licensing requirements they're resisting having imposed.

The case of the evangelical Christian day-care centers illustrates how government regulation in such areas infringes on the liberty of providers and consumers of services. Governments are generally reluctant to enforce such

In Defense of Secular Humanism

by Paul Kurtz

Secular humanism has been violently denounced by fundamentalist churchmen and powerful right-wing politicians as "the most dangerous religion in America."

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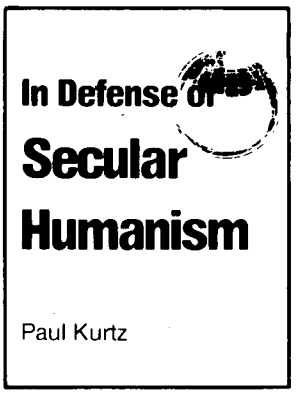

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regulations in the face of freedom-of-religion objections. In California, reported the *Times*, no centers have been shut down for failure to obtain a license.

But if religious day care can be "regulated" by the scrutiny of the customers, why can't secular centers follow the same path? Churches are the largest providers of day care in the country. Their widespread objection to state regulation may help others see the light.

PROGRESS WON'T HANG UP

Through its concerted efforts to delay the implementation of cost-based pricing of phone service, Congress is trying to stem the onset of a new telecommunications era. But even if Congress manages to forestall this move toward a market structure in telecommunications, the forces of progress appear to have the momentum on their side.

To recap events: In late September, committees in both houses of Congress approved proposals designed to delay the implementation of cost-based pricing of telephone service, a goal toward which the Federal Communications Commission (FCC) has been working for some time. As Peter Samuel pointed out in our October issue ("Hanging Up on Your Phone Company"), local phone rates are kept low by subsidies from artificially high long-distance tolls: about a third of every dollar charged for a conventional long-distance call—or about $11 billion a year altogether—goes to hold down local rates.

The FCC, however, has ordered an end to this system of cross-subsidization, beginning January 1 (coinciding with the breakup of AT&T). The end to subsidies and the implementation of cost-based pricing for local service means at least an initial rise in local rates—threefold, according to many analysts. And that has legislators up in arms.

Pending congressional legislation against cost-based pricing would hold down local rates, but then interstate long-distance providers—who would still be saddled with having to subsidize local service—couldn't lower their rates significantly. For example, following the FCC's announcement of its cost-based-pricing proposal, AT&T—which, after the breakup, would no longer be a local-service provider—said it would cut its long-distance rates by a total of $1.7 billion next year. But the company later announced that if Congress blocks the FCC plan, thus retaining the cross-subsidization system, it may not cut its rates so much after all.

The AT&T rate-cut plan is simply one of a number of circumstances that seem to have been lost sight of in all the hubbub surrounding the restructuring of phone service. Another is the fact that, if inflation is taken into account, local phone rates have on average actually *declined* over the last few decades—from 1972 to 1981, for example, they fell 30 percent. And while most talk has centered exclusively on the inevitable local-rate rises, little has been said of the benefits promised by more-competitive—and thus more-innovative—telecommunications services.

The world of mobile communications, for example, will enter a new era when General Motors starts offering some of its '84 models equipped with AT&T-supplied cellular radiophones. Some of

Thomas Sowell

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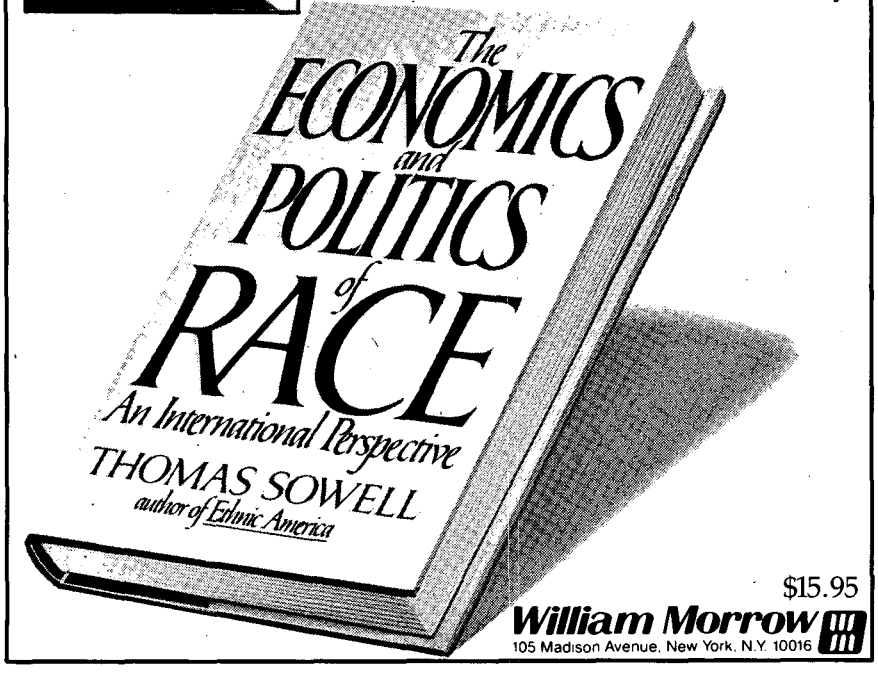

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GM's Buick Rivieras sold in the Chicago area, where AT&T is installing a cellular radio system for operation late this year, will be offered with a radiophone. Ford plans to start offering the option on some of its '85 models. (A cellular system is set up so that communication between mobile radio units and conventional telephones is possible.)

Both local and long-distance telecommunications will benefit from a recent FCC decision to allot 10 more radio frequencies for digital transmission services (DTS). Primarily used by private businesses for the high-speed transmission of computer and video data, digital systems use microwave signals to "bypass" the local phone company. With the 10 additional channels available, the digital bypass business may pick up momentum.

And another new phase of the high-speed communications era is approaching with the installation throughout the nation of fiber-optic cable for long-distance communication. Several firms have worked out deals with various railroad companies to lay the glass-fiber cable—through which impulses of light carry signals—along the railways' rights-of-way. Thus far, more than 10,000 miles of fiber-optic cable either have been laid or are planned. (Western Union, a firm that is seeking use of railway rights-of-way to lay fiber-optic cable, started its telegraph operations 132 years ago by hanging wire on poles running along such rights-of-way.)

Congressional action to retain a communications system given more to bureaucratic regulation, monopolization, and inefficient subsidization than to competition and innovation may retard the advent of what new technologies promise. But even federal legislators cannot hold off that progress forever.

FRYING DAVIS-BACON

If awards were given to political scams, a relic of the Hoover administration called the Davis-Bacon Act would place in the top 10. But several recent developments promise relief to taxpayers.

Davis-Bacon requires that workers on virtually all federal construction projects be paid the "prevailing wage" in their locality for the kind of work they're doing. This is not as trivial as it might appear. "Prevailing wage" is not defined in Davis-Bacon, and Labor Department rules have often led to high, union-negotiated wages being paid on projects

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covered by Davis-Bacon or parallel wage provisions in 58 other federal statutes. And in addition to direct federal projects, the feds are heavily involved in private construction through loans, grants, and loan guarantees; so Davis-Bacon or related provisions cover about one-fourth of *all* construction in the country. That was an estimated $53 billion worth in 1981, according to a report released by the Congressional Budget Office in July.

CBO analysts estimated that Davis-Bacon boosted government construction outlays by 3.7 percent in 1982, costing the taxpayers about $1 billion. "In addition," noted the report by the generally liberal CBO, the act "interferes with a major function of market-determined wages—namely, signaling workers to seek employment where their efforts are valued most highly." Davis-Bacon also imposes reporting and paperwork requirements on contractors and limits the use of less-skilled workers and trainees.

Repeal of Davis-Bacon, noted the CBO, would probably save taxpayers some $5 billion over the next four years. Short of repeal, Congress could legislate reforms, such as raising the threshold level of covered construction projects from $2,000—where it has stood since 1935.

Over the years, congressional attempts at repeal and reform have never survived the tender mercies of the AFL-CIO Building and Construction Trades Department and its congressional acolytes. Typically, a repeal bill sponsored by Rep. John Erlenborn (R-Ill.) and a reform bill sponsored by Sen. Don Nickles (R-Okla.) are both bottled up in committee.

But in 1982, instead of waiting for Congress to act, the Reagan administration initiated regulatory changes in the Department of Labor's definition of "prevailing wages" and in other DOL rules that implement Davis-Bacon. Recently, the US Court of Appeals for the District of Columbia upheld most of the new rules, which had been challenged by the AFL-CIO. With "prevailing wages" more often being the average wages paid in an area instead of the union wages, the Labor Department estimates that its rules changes will save $700 million a year.

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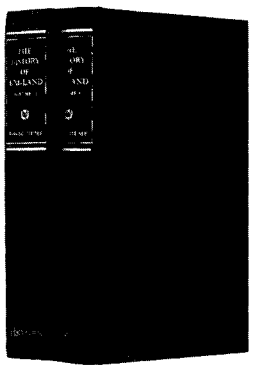

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HOLDING THE LINE ON SPENDING

The problem of excessive government spending is hardly new. In the past 53 years, there have been 45 federal deficits; in the last 15, 15. To a large extent, the problem is inherent in the pork-barrel-and-boondoggles political process. But there is a reform that might alleviate at least some of the excesses of government spending: the line-item veto.

Under the current system, a president has the option of vetoing any appropriations bill sent to him by Congress. But as economic writer Henry Hazlitt pointed out in a recent *Wall Street Journal* piece, it's an empty power. That's because "Congress has perfected the device of throwing in...veto-buying appropriations with those the president needs to carry on the government" and "has perfected the practice of passing its appropriations bills at the very end of a session." Thus, the president can either take the entire spending package or face the prospect of no money whatsoever for basic programs. Presidents hardly pause before taking the first option.

Total spending could very well be cut, however, if a president could exercise a line-item veto, rejecting some items in an appropriations bill while approving the rest. Many presidents of various political persuasions, including Roosevelt, Truman, and Eisenhower, have put in a bid for line-item veto power. The *Journal* has

called on President Reagan to make it "the centerpiece of his reelection campaign," and Treasury Secretary Regan has come out in favor of the idea.

For skeptics, there's already substantial evidence of the effectiveness of the line-item veto. Forty-two state governments operate this way. And, in California, for example, Republican Gov. George Deukmejian used his line-item veto this year to cut $1.7 billion from the state budget, of which the Democratic-controlled legislature will probably be able to restore only about $2 million. Two years ago, Illinois Gov. James Thompson was able to forestall state funding of a mental-health center until the legislature found equal savings somewhere else in the budget.

Gerald Miller of the National Association of State Budget Officers told the *Journal*, "The line-item veto is an important tool....It gets to the fundamental point of fiscal discipline in that the chief executive is ultimately responsible."

Since 1931, pointed out Henry Hazlitt in the *Journal*, Congress has increased Americans' tax burden 30-fold—that's *after* accounting for inflation. Yet federal deficits have gotten worse. "So let us finally drop the delusion," he argued, "that we can pay for any level of spending by raising taxes." Spending must be cut, he argued, and the line-item veto seems like an effective surgical instrument.

FREEDOM PROGRAM FOR TELEVISION

There have been some interesting developments lately in the steady movement to reduce government's regulation of television. Not surprisingly, many are the work of the Federal Communications Commission (FCC), chaired by super-deregulator Mark Fowler.

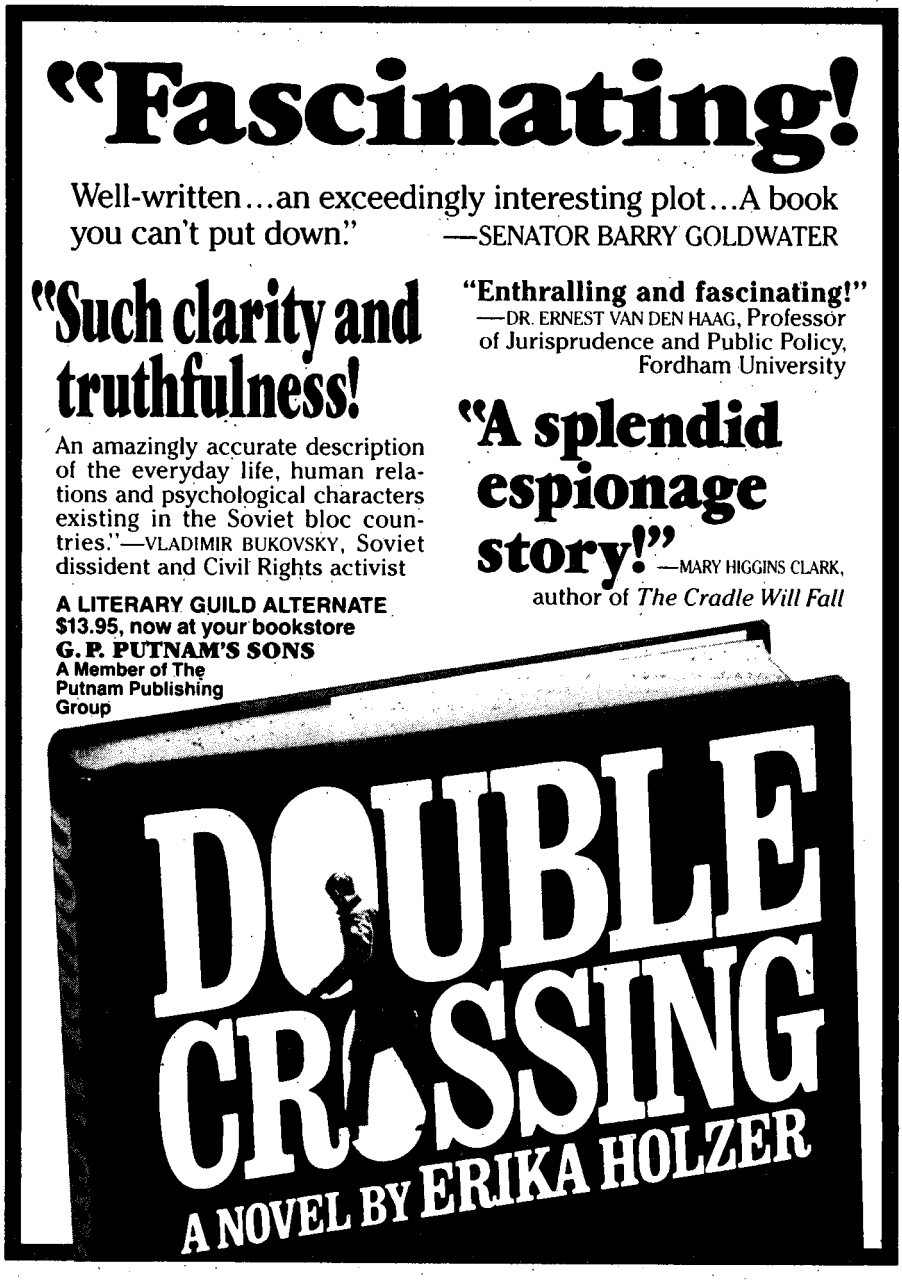
Instead of waiting for a TV broadcast deregulation bill stalled in the House, the FCC has proposed four measures to reduce controls over the program content of the 830 commercial TV stations in the United States. These include repeal of the "5-5-10" requirements that most stations set aside at least 5 percent of their air time for news and public-affairs programs, 5 percent for local programming, and 10 percent for nonentertainment shows. The FCC would also do away with the requirement that stations determine the kind of programs their communities want by using elaborate surveys, another requirement that stations keep a program log of everything broadcast, and a ceiling of 16 minutes of commercials per hour. In fact, the commission has asked for public comment on eliminating all other programming rules, as well. The FCC says that these rules not only limit broadcasters' freedom but require about 2.5 million hours a year to comply with.

In 1981, the FCC made a similar deregulatory move on the radio front, eliminating most of its oversight of radio programming. And in May, an appeals court upheld the agency's legal authority to do so.

Meanwhile, the FCC has also moved to define, and possibly end, application of the Fairness Doctrine to cable TV. The rule, which applies to network television as well, has in practice meant that stations must give air time to opposing interests.

Municipal cable regulation has also suffered a defeat in Miami. An ordinance there prohibiting cable companies from transmitting "indecent" programming was overturned by a US district court. The judge said the ordinance violated First Amendment rights of free speech and Fourteenth Amendment rights of due process.

Brenda Fox, an attorney for the National Cable Television Association, was delighted. She noted that in the Miami decision and a similar earlier decision in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Utah, "the courts have said that cable is more like print [media] than broadcast. That indicates that cities would have a hard time writing a constitutionally valid law that would regulate indecency on cable."

Not everyone is as pleased with reduced government intrusion in broadcasting. There is a large difference of opinion on the right over deregulation. Groups such as the Conservative Caucus and Accuracy in Media have lambasted the FCC for "planning to strip away important [government] protections against unfair abuse by broadcasting licensees." On specific matters, they have demanded that the FCC shut down a New York-based "dial-a-porn" telephone recording service, and they want the agency to deny the license renewal for the leftist Washington radio station WPFW—so far to no avail.

"Fowler's libertarian views," warned *Human Events* recently, "course through other FCC actions." If "present trends continue," said the paper, "broadcasters will one day be 'free' to be as unfair, partisan or obscene as they desire."

In contrast, *National Review* recently printed a favorable review of *Laissez Parler: Freedom in the Electronic Media*, published by the Social Philosophy and Policy Center at Bowling Green State University. Reviewer Chilton Williamson called it "an excellent little book" that "makes an exceedingly strong—indeed, to my mind, a really unanswerable—case for the proposition that 'democracy would be better served by private ownership and unrestricted markets in the media.' "

The debate will certainly continue. Meanwhile, the *Economist* reports that five European governments are evidently willing to permit largely unregulated cable television operations—Austria, Switzerland, Holland, Finland, and Norway. Of these, Finland is "going farther towards the free-enterprise solution than even Mrs. Thatcher's Britain has dared to propose. There cable is to be as free from restrictions as print." Perhaps Helsinki has its own Mark Fowler.

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"In the end, egoism is our only friend; in the last analysis, greed is the only thing we can trust. Any revolutionary who is to be counted on can only be in it for *himself*—*un*selfish people can always switch loyalty from one projection to another."

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ARMS AND JAPAN

It has been estimated that 15 percent of the US defense budget—which, in its $200-billion entirety, constitutes nearly 7 percent of this nation's GNP—goes to defending Japan. By contrast, Japan devotes less than 1 percent of its GNP to its defense budget. It is a situation that for some time has riled many Americans—including Rep. John Kasich (R-Ohio), who in July introduced into the House a resolution designed to prod Japan into significantly increasing its defense spending—by reducing US defense aid if it doesn't.

Of particular interest, however, is the growing debate among the Japanese themselves concerning the soundness of relying on the United States for military protection. In recent months, and especially since the Soviets' downing of a Korean civilian airliner near Japan, prominent Japanese have been raising pointed questions about their nation's defense and the proposal that Japan seriously arm itself against Soviet aggression.

Even before the Korean plane was shot down, Japanese political science professor Kichitaro Katsuda, in a late-August op-ed piece in the *Los Angeles Times*, warned that Japan's "nuclear allergy"—that is, its antinuclear fervor—may be "playing into Moscow's hands." "World peace today rests precariously on the East-West nuclear balance of terror," Katsuda wrote. "Won't unwillingness to address a grim reality lead Japan into another disaster?"

Shortly thereafter, Tokyo-based writer Osamu Kaihara—formerly with Japan's Defense Agency and its National Defense Council—discussed the Soviet threat to Japan in an op-ed piece in the *Wall Street Journal.* Kaihara suggested that Soviet forces are so mighty and so concentrated upon Japan that the idea that Japan defend its sea lanes of communication—a goal supported by recent Japanese administrations and the US defense community—is not realistic.

That prompted a response by US Navy Commander James Auer, the Defense Department's assistant secretary for Japan. The point of Japan expanding its defense, Auer proposed, is not to match Soviet force but rather to infuse more caution into Soviet calculations. "The more capable and credible Japanese and American naval and air might becomes," wrote Auer in a letter to the *Journal*, "the less likely are the Soviets to try interrupting the wide ocean paths."

Discussing Japan's reluctance to arm itself against Soviet aggression, Japanese political science professor Tetsuya Kataoka wrote in the *Los Angeles Times*: "As long as the United States unilaterally guarantees Japan's security, Japan feels the Soviet threat only indirectly." But according to recent reports, the Japanese public—which has been strongly pacifist since the end of World War II—is becoming more aware of a Soviet threat since the Korean airliner incident.

Cox News Service writer Walter Miller reported, shortly after Flight 007 was shot down, that "Japanese public opinion appears to be making a gradual shift in support of a stronger defense force." And Bradley Martin, of the *Wall Street Journal*, reported from Tokyo that "less is being heard from the pacifists than might be expected in the aftermath of an event demonstrating so graphically how close Japan is to the Soviet Far East and Moscow's growing and unfriendly array

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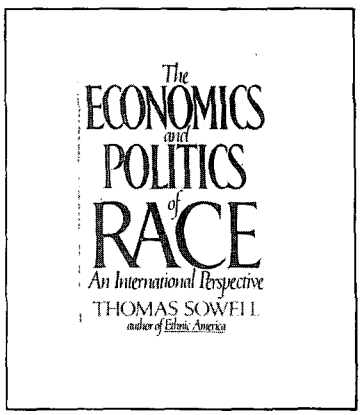

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of military might."

If the Japanese begin to take responsibility for their own defense, including how much is appropriate, US taxpayers can only benefit.

ORGANIZING AGAINST OPPRESSION

Who could coordinate private efforts to aid freedom fighters around the world? In our November issue, we reported in Trends a resolution passed by the Veterans of Foreign Wars to help raise money for humanitarian aid to Nicaragua's anti-Sandinista guerrillas. In an article in the same issue, Jack Wheeler suggested that the Soviet regime could be brought to its knees by a campaign of subversion conducted by the millions of oppressed Soviet subjects ("How to Dismantle the Soviet Empire"). Just who would coordinate these efforts—the governments of free nations or private groups—was left an open question. Now comes word, in a recent issue of the British journal *Free Nation*, of the formation of Resistance International, an organization to oppose Marxist and other repressive regimes worldwide.

Over the summer, an initial rally in London to launch the organization was followed by rallies in Amsterdam, Paris, and Milan. A central goal of RI, whose leader is the exiled Soviet dissident Vladimir Bukovsky, is to coordinate the anti-authoritarian efforts of exiles from, and dissidents within, communist and other repressive nations. The group also is seeking international recognition "as a representative political and public institution."

Already, *Free Nation* reports, representatives of antistate groups from Angola, Bulgaria, Cape Verde, Cuba, Laos, Romania, Russia, Vietnam, and Yugoslavia have adopted RI's declaration of its aims. And RI is said to be negotiating to set up further liaisons with representatives of resistance movements in Afghanistan, Argentina, Cambodia, Crimea, Czechoslovakia, Ethiopia, Mo-

GLOBAL TRENDS

NO PLACE LIKE HOME

SOUTH AFRICA—"Right now, we are the biggest [real] estate agents in the world," a South African government official recently told the *Los Angeles Times*. He was referring to a program begun in July to sell some 520,000 government-owned houses—400,000 in black residential areas, 100,000 in communities for Asians and people of mixed race, and 20,000 in areas occupied by poor whites.

South Africa's privatization of all but about 6 percent of its government-owned housing is comparable in a sense to the Thatcher government's sale of British "council houses" to their occupants (see "Margaret Goes to Market," REASON, Feb. 1983). But in South Africa, the sales also represent a shift in one aspect of the government's long-standing apartheid policy: blacks can now settle permanently near the cities where they work.

Before, blacks who worked in white cities were legally restricted to being temporary residents, or "sojourners." This meant that they were permitted only to rent government housing, and they were required to return periodically to government-designated "homelands."

With the new policy, however, the government is actively encouraging blacks to buy at bargain prices the houses they rented in the past. In the ghetto of Soweto, where several blacks protesting apartheid were killed in 1976, there are now signs urging, "Get That Feeling of Permanence—Buy a House Now," according to the *Times*.

Apparently the government's aim with the new policy is to temper growing black resistance to the government by fostering a substantial black middle class. Johan Kruger, who runs the new housing program, observed, "A black who has a stake in the country isn't apt to burn it down."

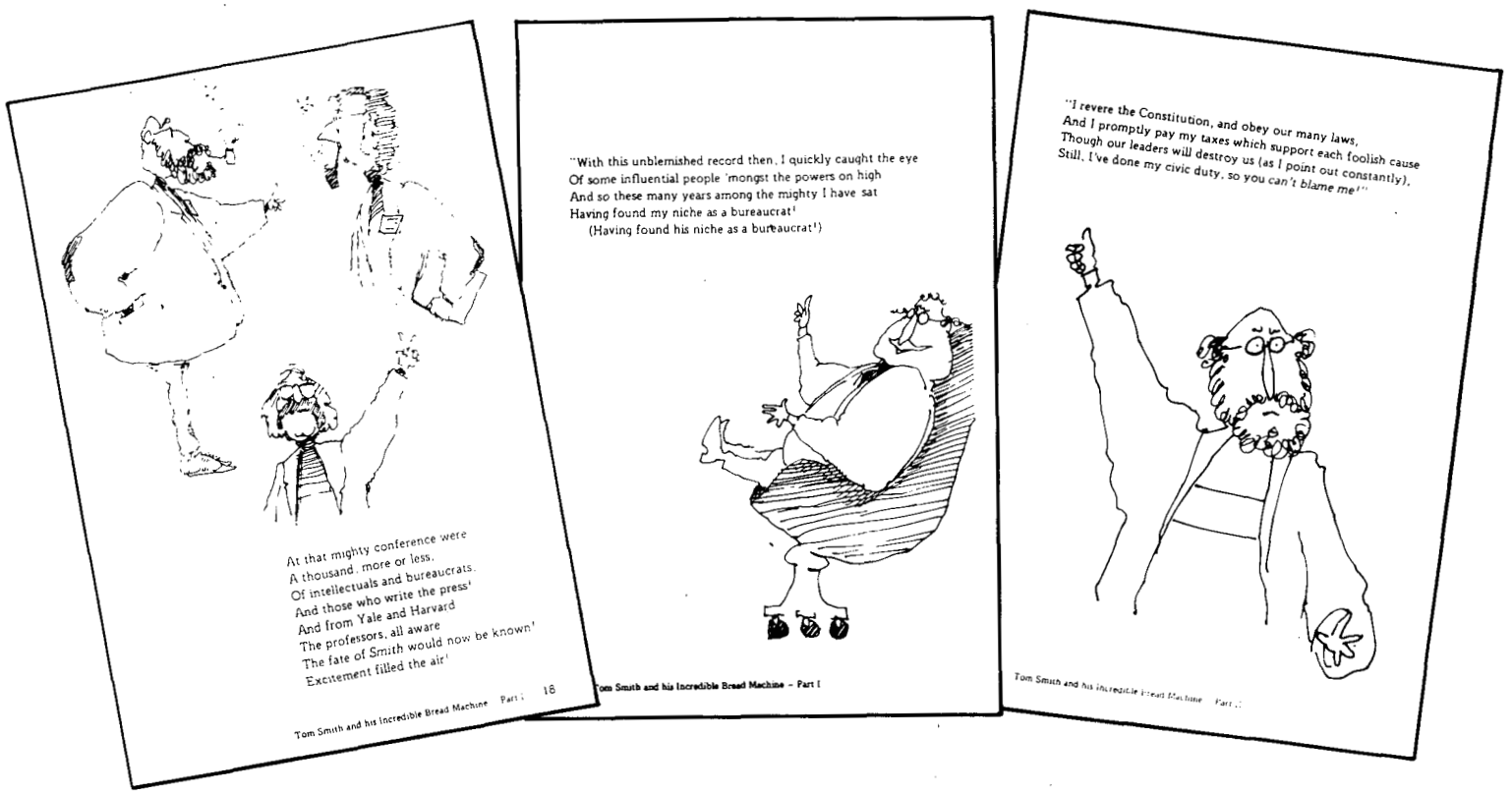
PLAYING BY THE FREE-TRADE RULES

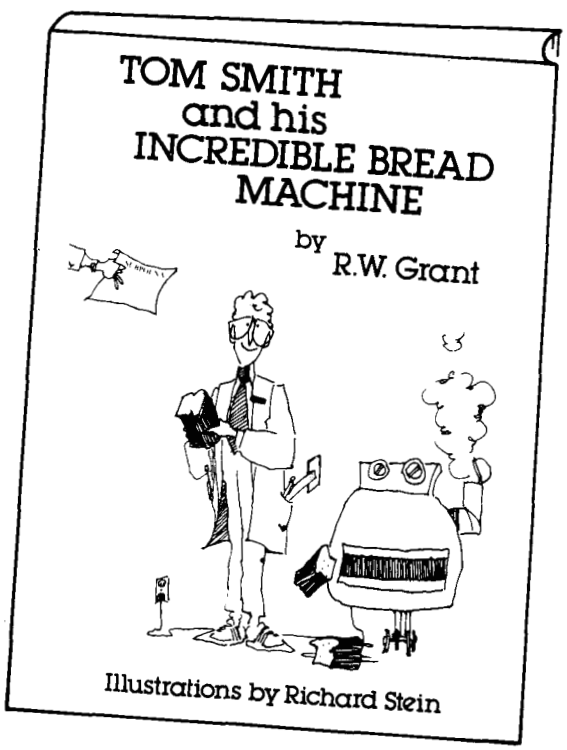
BRUSSELS—The agreements among the 10 member-nations of the European Economic Community (EEC), or Common Market, are meant, in part, to enhance the economic vitality of Europe by promoting free trade and competition among the various nations. In practice, however, EEC members frequently deviate from rules prohibiting unilateral price controls and other policies restraining trade. But in two recent cases—one in Germany, the other in France—such EEC violations are being challenged.

A West German insurance broker put a national law to the test by placing insurance business with British insurers—the most efficient and competitive within the EEC. Although German law bars domestic insurance business from going to foreign markets, the broker claimed that he was acting in accordance with EEC free-trade agreements. In April, the *Economist* recently reported, a German court ruled against the broker, but he is taking his case to the European court, which adjudicates allegations of EEC violations.

In France, retail magnate Edouard Leclerc—whom the *Economist* bills as "the Freddie Laker of French capitalism"—is challenging his nation's price-control laws. At his chain of 450 supermarkets, Leclerc has undercut government-set prices on books and gasoline (which is sold outside the stores to attract shoppers), on the grounds that such controls violate EEC agreements. When Leclerc contested finance-ministry orders to stop slashing prices on these goods, a French court ruled that price fixing does indeed violate Common Market law; now the matter has been referred to the European court.

Leclerc's next target is tobacco price controls. If Seita, the state cigarette-producing monopoly, refuses to supply Leclerc with cigarettes—which he will sell at prices below those charged by France's tobacconists—Leclerc plans to import cigarettes from other EEC countries. It looks like more state controls will go up in smoke.


At that mighty conference were
A thousand, more or less,
Of intellectuals and bureaucrats,
And those who write the press!
And from Yale and Harvard
The professors, all aware
The fate of Smith would now be known!
Excitement filled the air!
Tom Smith and his Incredible Bread Machine Part I 16
"With this unblemished record then, I quickly caught the eye
Of some influential people 'mongst the powers on high
And so these many years among the mighty I have sat
Having found my niche as a bureaucrat!
(Having found his niche as a bureaucrat!)
Tom Smith and his Incredible Bread Machine – Part I
"I revere the Constitution, and obey our many laws,
And I promptly pay my taxes which support each foolish cause
Though our leaders will destroy us (as I point out constantly),
Still, I've done my civic duty, so you can't blame me!"



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By Alan Burris

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PRIVATE REMOTE SENSING NO LONGER REMOTE

The government's Landsat monopoly is crumbling rapidly. And it doesn't look like that will pose any problem for the users of satellite-produced pictures of geological formations and crops.

For more than a decade, the government's earth remote-sensing satellites (Landsats) have been providing images that are quite valuable in a wide range of enterprises, including oil exploration, mining, crop forecasting, and timber management. The Carter administration had already decided to let the private sector take over this potentially profitable area—by the 1990s. In 1981 the Reagan administration stepped up the privatization schedule, vowing to end the government's participation with the scheduled launch of a Landsat in 1985.

The government's threatened exit from the field has provoked a lot of anguished cries that Landsat users would be left without the pictures they've come to rely on. But as the *Wall Street Journal* noted recently, problems with the Landsat now in orbit, and Congress's failure so far to approve the $25 million needed for the 1985 launch, "is attracting new players" to the market.

One of the newest and most promising of these players is Space America, a private-enterprise consortium involving Space Services, Inc. (SSI), American Science and Technology Corp., and Aeros Data Corp. Space America formalized plans this fall for the launching of three remote-sensing satellites beginning in 1986—whether or not the government pulls out of the field. And, according to *Commercial Space Report*, the group intends to submit a proposal to manage and commercialize the government's Landsat program.

But earth data will also be flowing from overseas. In Japan, an earth-sensing satellite specializing in ocean scenes is on the drawing boards, according to the *Journal.* And Spot, the ambitious US subsidiary of a French multinational (but government-subsidized) company, is already lining up American clients for its first picture-taking satellite, scheduled for launching in January 1985 on the European Ariane rocket.

Spot will market its wares here by offering more and better service than is available from Landsat. For example, Spot plans to sell pictures that show surface objects as small as 10 meters, compared to the 80-meter resolution of the main Landsat camera. (Space America, on the other hand, maintains that "the proven market is at 80 meters" and that it will not add high-resolution capability unless demand proves itself.) Spot will also accept special orders for three-dimensional images and for photos of out-of-the-way places.

Private-enterprise satellites may not have completely smooth sailing in this country. The *Wall Street Journal* reports that "hard-nosed national security bureaucrats" want veto power over private companies' choices of countries for installing receiving stations. Moreover, a Pentagon bureaucrat has said that the government won't permit private satellites' pictures to approach the resolution of spy satellites—classified information, but certainly below one meter. Limitations sought in the name of national security may be difficult or futile to maintain, however, if foreign competition jumps in with forbidden services.

MILESTONES

• *Reign in Spain tamed.* As a result of Spain's reformed penal code initiated by the recently elected Socialist government, scores of people imprisoned for drug offenses are being released, and jails there are emptying.

• *Trucks to follow planes?* Reese Taylor, Jr., who chairs the Interstate Commerce Commission, has written to President Reagan recommending that his agency be abolished. He reportedly stated his support for totally eliminating government regulation of the trucking, freight-forwarder, and water-carrier industries.

• *Victims' rights expanded.* The California legislature has passed and sent to Gov. George Deukmejian six bills aimed at increasing compensation for victims of violent crimes. The legislation would double the amount of restitution fines that can be imposed in criminal cases, make it easier for victims to file civil suits to collect restitution, and enforce collection of restitution fines.

• *Irish eyes smiling.* British Airways, the government-owned airline, has lost a major battle in its struggle to maintain a monopoly on flights between London's Heathrow Airport and Belfast, Northern Ireland. A British court has said yes to the bid of independently owned British Midland Airways to offer service on the route.

• *Soft property.* The US Court of Appeals expanded the domain of property rights when it ruled in September that copyright laws apply to computer software. In May 1982, Apple Computer had sued Franklin Computer for copying Apple's software. Franklin did not deny the copying charge but claimed that software cannot be copyrighted.

• *Forest fees.* Addressing the Audubon Society's national conference in September, US Forest Service chief R. Max Peterson urged that recreationalists be charged a fee to use the national forests. Even a charge of $1 per day, Peterson commented, would double the Forest Service's recreation budget. The audience was not exactly receptive to the idea.

• *Easy labor?* Perceiving many recent court interpretations of the National Labor Relations Act as promanagement, organized labor is considering a push to repeal the act. Both William Winpisinger and Lane Kirkland, presidents of the International Association of Machinists and of the AFL-CIO, respectively, have commented favorably on the notion, which some labor groups refer to as "labor deregulation."

• *Solicitors grounded.* The Los Angeles Board of Airport Commissioners, after years of controversy over the issue, in effect began acting as a private property owner when it voted in July to prohibit fund raising and proselytizing within the central terminal of the Los Angeles International Airport. The International Society of Krishna Consciousness is contesting the resolution in court.

—ROBERT POOLE, JR.,
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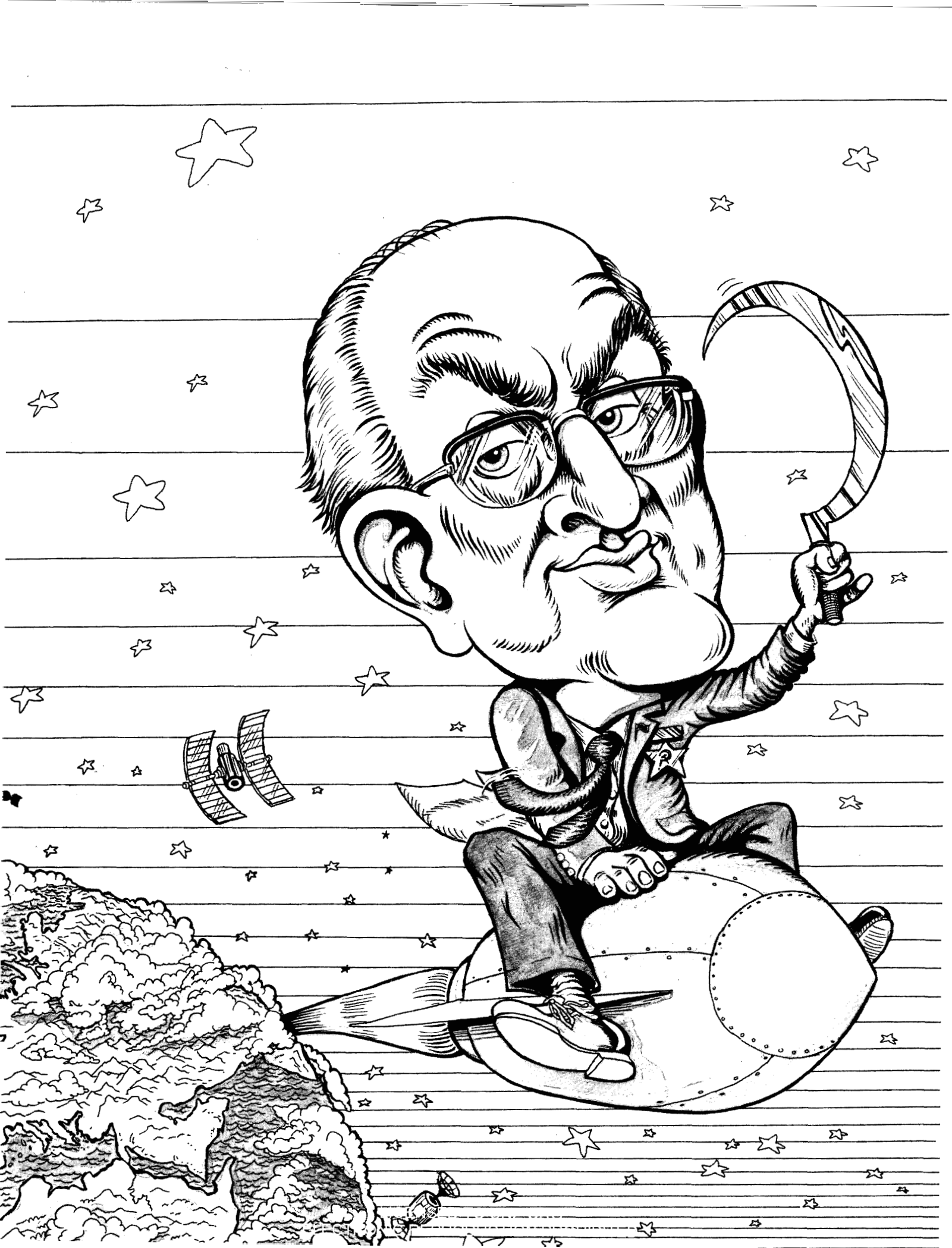


ANDROPOV'S ORBITING BOMBS

The Soviets' outer-space "peace" strategy

BY JAMES E. OBERG

The USSR, Yuri Andropov promised solemnly in August, will "not be the first to put into outer space any type of antisatellite weapon." With a sincere smile, the Soviet prime minister announced to a group of visiting US senators that the USSR had made "an exceptionally important decision" to enter into a "unilateral moratorium" on such weapons as long as other countries would likewise observe restraint.

The declaration marked a new round in Soviet efforts to portray the USSR as the defender of peace in outer space. The move, Andropov emphasized to the senators, "is yet another concrete demonstration of the good will of the Soviet Union, of its determination in the matter of strengthening peace and security." The pledge received the kind of rave reviews for which Soviet propagandists must have hoped. It was all of a piece with a public-relations blitz by which Moscow has been dismayingly successful in portraying the US space program, including the space shuttle, as an imminent threat to the "previously peaceful" arena of outer space.

In truth, however, Andropov's promise was a sham, violated even before he uttered it. Both the US and Soviet governments have tested antisatellite (ASAT) systems in the past. But the USSR is the *only country* to have put test weapons into orbit and is the *only country* that today possesses an operational capability to destroy other countries' reconnaissance satellites.

And now Andropov, joined by Western figures, wants to freeze further developments. Those developments include a new US ASAT system that is in the testing stage. But they also potentially include the testing of prototypes required to move President Reagan's proposed space-based US defense system from conception toward reality. This turn-of-the-century "star wars" system is the only US defense against missile attack currently under discussion. Forestalling this potentially revolutionary development may well be the ultimate aim of Moscow's phony pledge not to be the first to put antisatellite weapons in space.

The pledge itself is much less meaningful than Western enthusiasts made out. The Soviets claim that they have never even tested ASATs, so they can say there is nothing they have done in the past that they will feel constrained from doing in the future—such as launching "killer satellites" disguised as "scientific exploration space vehicles." Moreover, launchings of the US space shuttle, such as occurred only a few days after the Andropov statement, already in Soviet terms justify abandoning the "moratorium," since the USSR has made it clear that it regards the shuttle as a potential antisatellite weapon. So Andropov's well-publicized pledge is of dubious import.

Andropov did mention in passing that "existing ASAT systems" should be dismantled. Many Western observers reported this as a promise to dismantle the Soviets' ASAT system. But according to earlier official Soviet statements, and Andropov himself, they have nothing to dismantle—they deny possessing such a system. And from this position of self-proclaimed purity, the Soviets launch hypocritical attacks on American "space militarism."

Two years ago, Soviet diplomats at the United Nations proposed a new international treaty to ban deployment of weapons of any kind in space. Simultaneously, a well-orchestrated and well-echoed propaganda barrage was unleashed against NASA's then-new space shuttle vehicle: it was falsely accused of carrying weapons into space (including H-bombs and "death rays"), of preparing to steal innocent Soviet space vehicles, and of being designed to act as a "space pirate" for the Pentagon.

ILLUSTRATIONS BY MICHAEL BEICKEL

Recently, a letter from Andropov to American scientists opposed to both sides' antisatellite weapons (their operational one and our developing one), as well as to Reagan's suggested turn-of-the-century space-based antimissile system, was answered by Andropov with much ballyhoo and moralizing—together with a number of bald lies about the true state of "space militarization" in the world. A few weeks later an open letter "To All The World's Scientists," signed by top USSR scientists (including the developers of Russia's space weapons—men such as Glushko, Mishin, Belotserkovskiy, Nadiradze, and especially Chelomei), called on everyone to endorse the latest Kremlin peace-in-space plans.

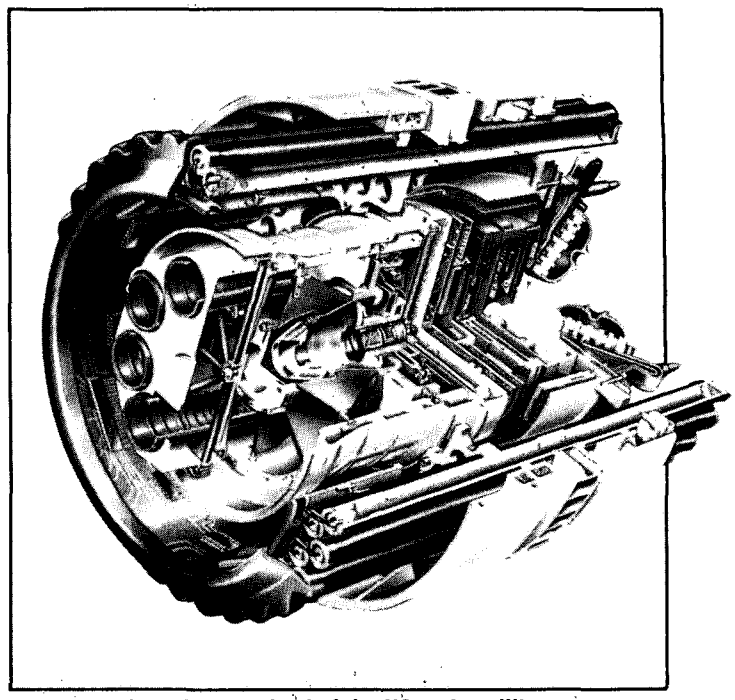
The timing of these events is hardly arbitrary. Although the United States possessed a fairly unsophisticated ASAT capability until 1975 (see sidebar, page 28), after that the Soviets had the field to themselves. In 1978 the Carter administration offered the Soviets a moratorium on ASAT development, but they did not respond and continued with testing of their system. Thus, the United States began serious development of a small interceptor missile to be launched from a fighter jet. The initial flight tests of this $2-billion system (which is unlikely to be operational until 1988, at the earliest) had been scheduled for late 1983 when Andropov offered an ASAT moratorium in August.

The US ASAT program involves an air-launched missile with a small homing payload. No warhead is involved—the missile kills its target through impact alone. After the missile is launched from the aircraft, a two-stage booster propels the payload to the vicinity of the target satellite. There, the computer-guided, heat-sensing payload homes in on the target and collides with it. The carrier aircraft is the F-15 Eagle; the missile consists of solid-fuel, off-the-shelf booster stages plus a 12-inch, 60-pound miniature homing vehicle (MHV). Range has not been disclosed in open sources, but informed analysts estimate that the ASAT missile may be able to hit targets in low orbits (up to 300 miles above the earth's surface).

The Soviet system is quite different. It uses a three-ton payload that is actually put into orbit to chase down its target. It is thus a "killer satellite" as opposed to the "satellite killer" ASAT missile being developed by the US military. Once within lethal range, the Soviet ASAT detonates a shrapnel blast that destroys the target with high-velocity pellets.

The Soviet system has been operational since at least 1971. In recent years, Soviet space engineers have been testing two major improvements over the original, but still workable, system: a quicker kill and a less-jammable guidance system using infrared rather than radar. These tests, according to some sources, have not been successful. But the original radar-guided system remains on call for use against US satellites, which have not been equipped with radar-jamming devices.

The Soviet system could readily be modified into a "space mine," designed to orbit for months near a potential target.



A cutaway view of the payload of the US antisatellite weapon now being developed: guided by heat-sensing devices and propelled by 56 tiny steering rockets, the warhead—which measures 12 by 13 inches—destroys an enemy satellite by colliding with it at high speed.

Moscow has stridently and unwaveringly denounced the development of the US ASAT system as though it were the first such weapon ever built by either side. The Soviet negotiator at the UN's Committee on Disarmament, Viktor Israelyan, intoned on April 23: "The orbiting of antisatellite systems or any other types of weapons would inevitably have an extreme destabilizing effect on the international situation, and the danger of war—a nuclear, all-destructive war threatening the whole of mankind—would sharply grow." Andropov's April 27 letter replying to the American scientists referred to "the extremely dangerous consequences of saturating space with deadly weapons." He went on to pontificate: "I would like to hope that the scientists and public personalities of the whole world will also make a contribution of their own to making certain that space will forever remain free of any weapons at all, that it will not become an area of military clashes."

Moscow commentator Vladimir Serov repeated the charge last August 30: "The large-scale plans of the Reagan administration to design antisatellite weapons violate the letter and spirit of the Soviet-American ABM [antiballistic missile] treaty currently in effect, which bans any obstruction to the operation of national technical means of observation, including satellites. The violation of these provisions of the treaty is fraught with the threat of an unchecked arms race and enhanced risk of nuclear missile war."

In counterpoint, Moscow pours out propaganda that the Soviet killer-satellite is "part of the mythical Soviet threat," a fiction dreamed up by CIA slanderers to justify plans for American orbital aggression. Col. A. T. Timofeyev, a spokesman for the Soviet Defense Ministry, wrote in *Pravda* in August 1982: "The United States, supposedly, is developing space weaponry programs only out of fear that similar projects have been launched in the USSR. All this is a premeditated lie, a propagandistic myth. . . . The Soviet government has undevi-

atingly striven to see that space will become an arena of exclusively peaceful cooperation."

Radio Moscow last August 23, just days after Andropov's phony ASAT pledge, carried this commentary by Viktor Olin: "Washington...alleges that there is a Soviet superiority in the field [of ASATs]. These arguments, if scrutinized, hold no water." And Soviet Foreign Minister Gromyko, in an August 21 letter to UN Secretary General Javier Perez de Cuellar, declaimed the need for "urgently taking effective measures to prevent the projection of the arms race to where there has so far been none, namely, to outer space."

These fraudulent denials of previous Soviet space-weapons tests are about as explicit as convoluted Soviet diplomatic language allows. And the impression created is totally false.

The Soviets' deception is paralleled in the West by vociferous critics who, seeking to influence US public opinion and congressional action, have frequently misrepresented the relative effectiveness and operational status of the US and Soviet ASAT weapons. The Soviet ASAT, whose existence these groups can hardly deny, is portrayed as next to useless, ineffective, and of no danger to US defenses. The US ASAT, whose development these groups want to block, is portrayed as a vastly more sophisticated and powerful "overresponse" that will severely threaten legitimate Soviet space installations, such as early-warning satellites. If the US government proceeds with developing an ASAT system, warn these critics, the move will propel the reluctant but genuinely aggrieved Soviets into a regrettable response.

But these claims are phony. The Soviet ASAT satellite works quite well and is a genuine threat to the US reconnaissance satellites that monitor Soviet military posture (satellites that the Soviets have agreed by treaty never to attack) and to some US military navigation and weather satellites. The US ASAT missile is a minimal response and no new breakthrough. It is thought to be necessary because of the existence of a specific type of genuinely dangerous Soviet satellite that supports a Soviet war-fighting capability.

Anti-ASAT groups in the West have displayed considerable logical gymnastics in their descriptions of the Soviet killer-satellite and the planned American ASAT missile. The Soviet space weapon is associated with such terms as "unsophisticated," "brute force," and "rather primitive" by the Union of Concerned Scientists. The group has also called it "cumbersome and inflexible," "rudimentary," "very unreliable," "based upon 1960s technology," and "rather clumsy." Barry Schneider, director of the Center for International Security Studies, characterized it as "crude" in an article in *Bulletin of the Atomic Scientists.*

In recent congressional debate, Rep. George Brown (D-Calif.) called the Soviet ASAT "ludicrously ineffective," while allied congressman Joe Moakley (D-Mass.) merely dubbed it "very questionable." (In a press release, Moakley later called it "crude" and of "low reliability.") It's supposed to be limited to a single launch site and not able to reach the really important US defense satellites; according to Dr. Michio Kaku, director of the Institute for Peace and Safe Technology, "Soviet killer satellites are unsophisticated machines able to home in only on carefully preprogrammed dummy satellites locked into special orbits...at 200 miles or less."

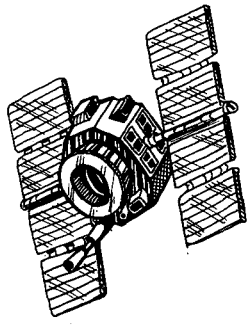
The accuracy of such claims is highly questionable, at best. For example, the maximum demonstrated range of the Soviet system is six times as great as Kaku claimed. And while the killer-satellite has only been tested from one base, it uses a standard SS-9 military booster for which there are hundreds of suitable underground silos all across the USSR. Recent reports claim that five launching pads in Central Asia are dedicated to ASAT launchers.

Nor are the claims of unreliability to be taken seriously. Recent failures have been in the testing of new, more-advanced infrared guidance systems, while the standard radar guidance system has worked very well for more than a decade. Were the Soviets to launch a killer-satellite against a space target (and they could probably do it with only a few days notice), the odds are very high that the target would be destroyed by a single shot.

Yet in Congress last June, Rep. George Brown displayed large posters asserting that it would take three Soviet ASAT shots to guarantee a 95 percent kill probability. That works out to about 65 percent reliability per shot.

Even in its early test program, however, the killer-satellite did better than that. Of the first four tests in the late 1960s, half worked. This was followed by three straight successes in 1971, and the system was declared operational. Beginning in 1976, a new test series began, and 13 more shots were made through mid-1982. Half a dozen involved an abbreviated chase strategy, and five others tested a new guidance sensor; neither improvement seemed to work very well, but in the meantime there were also occasional "troop-training" launches of the standard design—and it worked quite well.

The Soviets have put test weapons aboard "space objects" in orbit around Earth—something the United States has never *done.*



In its entire flight history over the past 15 years, there have been 10 test shots of the operational killer-satellite, and it has worked 7 times. Moreover, 6 out of the last 7 worked—that's 86 percent.

In contrast to all the negative terms used to characterize the Soviet system, the US system is invariably referred to as "advanced," "far superior," or "much more sophisticated." Yet specific claims for its capability are frequently as off-base as those for the Soviet system's *in*capability.

For example, Sen. Larry Pressler (R-S.D.) recently wrote that "our weapon would be able to knock out more than one hundred Soviet satellites in a day." But this is totally absurd. There aren't more than a few dozen passing within its altitude range in a week, and there are only 80 Soviet military satellites operating at one time anyway, most in orbits far too high for the planned ASAT missile to reach. Besides, engineers familiar with the targeting processes for the ASAT system assert that at most the intercept geometry for launching the F-15s could be computed simultaneously for only a few different target satellites in any 24-hour period, using existing ground-based computers.

Moscow's space-weapons arsenal is a real threat that cannot be wished or whitewashed away.

No comparison of the two ASAT systems would be fair without considering potential targets. The United States launches only a handful of long-lived reconnaissance satellites every year, and replacing the loss of one or two could take many, many months. The Soviets launch dozens of short-lived satellites every year and could replace the loss of several of them within a week. To accomplish an equivalent "denial of function," the United States would need to be able to destroy many times as many as the Soviets—if reconnaissance satellites were indeed the targets.

In terms of range, the Soviet killer-satellite has been tested out to more than 1,000 miles. And its operating ceiling is limited only by rocket power. The Soviets already have one space booster quite capable of carrying its ASAT satellite out to the critical geosynchronous (22,000-mile) orbits where America's most important warning satellites roost. And the Pentagon claims that Soviet rocket engineers are developing another booster of similar power but much greater flexibility.

The US ASAT missile, it is claimed by some (such as the Union of Concerned Scientists and William J. Broad of the *New York Times*), will threaten the Soviet network of early warning satellites that keep watch over US missile launchings. Most analysts agree that such a threat is indeed undesirable—and that it does not exist. The US missile cannot reach the Soviet early warning satellites. Their lowest altitudes (400 miles) occur over the far southern Pacific and Indian oceans, well beyond F-15 range from either Australia or Diego Garcia.

A key point about the two systems is often overlooked. The Soviets' is a space-to-space weapon; it operates in orbit, across the invisible threshold that differentiates true space systems from ground-launched missiles (such as intercontinental ballistic missiles, which, although they travel through space, are *not* legally considered space objects). The US system, however, is an extension of traditional surface-to-air interceptor missiles defending a fixed geographical area on Earth (whereas the Soviet killer-satellite can pursue and destroy its target over any point on the globe). As such, the American system takes the form of time-honored conventional defensive weapons, breaking no new qualitative ground in weaponry.

Few critics seem to have realized that the air-launched nature of the US ASAT system is actually a reflection, not of the advanced technology of the system, but of its limitations. The missile must be launched directly into the path of the oncoming target satellite, just as the target is approaching. The target's successive orbital paths can be 1,000 miles apart, so fixed ground bases are rarely in range.

The Soviet orbital system, on the other hand, retains the significant advantage that the weapon can indeed be fired from a fixed site, once Earth's rotation carries that site into the target satellite's path. The target could be anywhere at that time, even half a world away. This is because once in orbit the Soviet killer-satellite can relentlessly continue the pursuit for hours if need be (the US satellite killer can only remain in flight for a few minutes).

The US system is much more difficult to upgrade than the Soviet system. (By that token, it is the *Soviet* ASAT, not the US ASAT, that is "more sophisticated" and "flexible.") To reach vital targets at geosynchronous orbit 22,000 miles high, the USSR would need only to double the lifetime of its vehicle (a few more batteries), while the US missile would need a lifetime 50-100 times longer than the current version (practically impossible without a total redesign).

The same goes for propulsion: The Soviets could use one of several more-powerful boosters, as could the US (and, in fact, the Trident missile has been proposed for this purpose). But the Soviet kill mechanism (shrapnel) is independent of altitude, while the US kill mechanism (direct impact) depends wholly on the target's orbital velocity—and the satellites at geosynchronous altitude move much more slowly, reducing the effectiveness of the US system by a factor of more than 10.

The Soviet system could be modified to perform multiple kills with several independent mortar shells; the US system destroys itself totally on impact. Lastly, the Soviet system could readily be modified into a "space mine" designed to orbit for months near a potential target; the US system has no such capability.

It was limitations such as these that recently led the General Accounting Office (GAO) to issue a critical report on the US ASAT missile, precisely because it is not likely to be effective

PAST ASATs

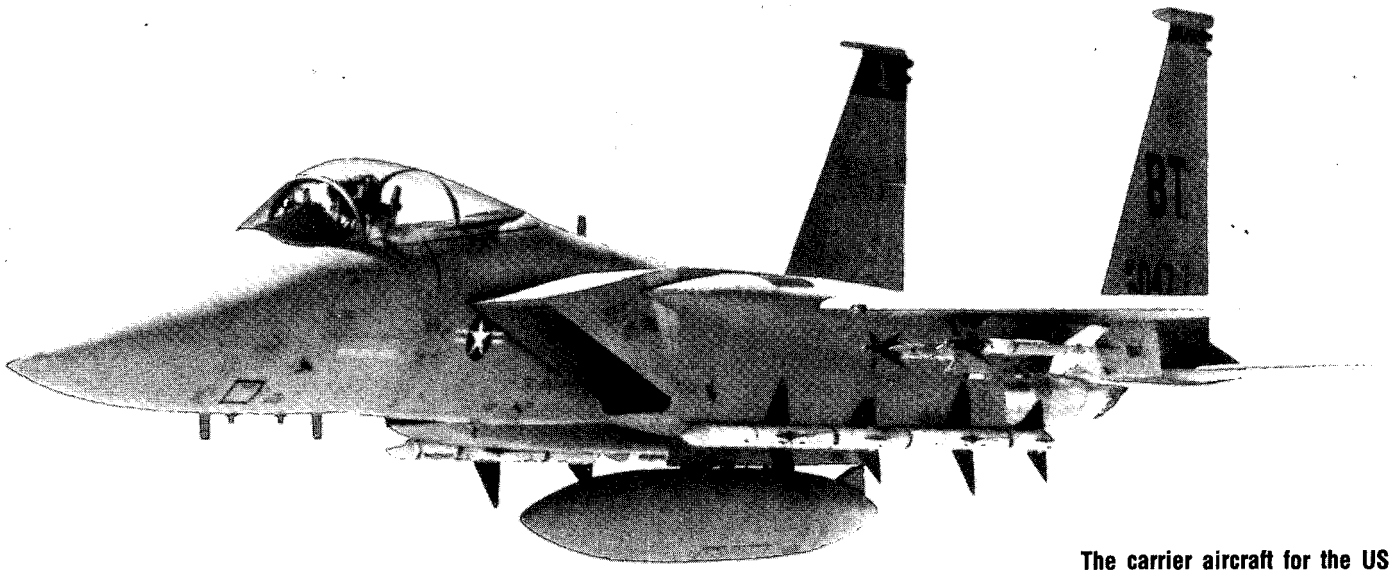
Both the United States and the Soviet Union have been testing antisatellite weapons for many years. And both have possessed what military analysts consider operational ASAT capabilities at various times.

The first successful US test took place back in 1959: a Bold Orion missile launched from a B-47 bomber successfully intercepted the Explorer 6 spacecraft as it passed over Cape Canaveral. Between 1963 and 1966, Project Mudflap involved a series of launches of Nike Zeus missiles from Kwajalein Island in the Pacific. A follow-up effort, Project 437 Thor, used Thor boosters, of which 16 were launched against satellite targets between 1964 and 1970. According to *Aviation Week*, the Thor system was considered an operational antisatellite capability until 1975. Both the Nike Zeus and Thor systems were designed to use nuclear warheads, but all the tests utilized dummy warheads.

The Soviets began testing antiballistic missiles (ABMs) in the early 1960s and almost certainly tested this system as an ASAT weapon during that time. Khrushchev publicly boasted of the ability of Soviet interceptor rockets to "hit a fly in outer space." Their ABM system remains operational.

The Soviets launched their first killer-satellite in 1968 and are considered to have achieved an operational ASAT capability with this system by 1971. They have continued regular launches since then, testing improved kill mechanisms and an infrared guidance system. The Pentagon claims that the Soviets are nearing the point of first launch of a second-generation ASAT using a laser as the kill mechanism.

—R. P.



The carrier aircraft for the US ASAT system is the F-15 jet fighter. (The missiles shown here are not the ASAT missiles now under development.)

against more than a narrow range of Soviet target satellites. The GAO study thus directly refutes the claims of critics that the US system is "far superior" to the Soviets'.

Left out of the anti-ASAT furor is a discussion of other Soviet space weapons. In the late 1960s, the Soviets signed a treaty forbidding the orbiting of nuclear weapons—and proceeded to perfect a system for exactly that. The Fractional Orbit Bombardment System, or FOBS, was not technically a violation of the letter of the treaty because only the actual use—but not the testing—of such systems was forbidden.

And much later, despite worldwide alarm over the Soviet nuclear reactor that fell into the Indian Ocean last winter, little attention was paid to the purpose of that kind of satellite (of which three have now dropped out of the skies by accident). The RORSATs (Radar Ocean Reconnaissance Satellites) are designed to utilize powerful radar to spot and target Western naval fleets for attack by Soviet strike forces. It is this type of satellite, not the passive and treaty-protected strategic reconnaissance systems, that is the specific target for which the US ASAT missile is designed. The Soviet RORSATs' active combat role makes them too dangerous to tolerate, according to Pentagon officials, so it may be desirable to destroy them during periods of tense international confrontation short of all-out nuclear exchange.

Nor is the currently operational killer-satellite the only ASAT weapon available to the USSR. Since the early 1960s, the Soviets have had an antimissile complex around Moscow (the Galosh, or ABM-1). Its missiles, with nuclear or conventional warheads, can easily reach 100 miles or more into space, where US military reconnaissance satellites operate. Many antidefense advocates ignore the Moscow ABMs; one, Daniel Deudney of the Worldwatch Institute, even explicitly denies that they exist!

Meanwhile, reports of the existence of more-advanced Soviet systems, such as two ground-based lasers with enough power and precision for an ASAT application, remain questionable but very possible. According to *Air Force* magazine: "There is strong circumstantial evidence that the Soviets are using their manned Salyut space station to calibrate and refine the targeting and tracking mechanism of ground-based military lasers. Crews aboard the space station are instructed routinely to put on their 'goggles' when Salyut overflies Soviet territory where these laser devices appear to be located." Press reports (the most recent early last summer) that such weapons have actually already been used to disable US spy satellites have not been taken seriously by most space analysts, although there now allegedly exists at the classified level a growing body of substantial circumstantial evidence for such use.

Moscow's space-weapons arsenal thus can be seen to be an impressive and really frightening one. It is a real threat that cannot be wished or whitewashed away.

Furthermore, comparisons cannot fairly be made between any system that the US government *plans* to have four or five years from now and the systems that the Soviet military *already has on line.* Few observers doubt that the Soviets are already working on even more effective and efficient space weapons, flight testing of which will only become visible in the coming years. To say that it is "provocative" for the United States to be developing a future system to match capabilities that the Soviets have already had for more than a decade is a deliberately deceptive argument.

But the phony declarations of innocence and howls of protest from Moscow, and their echoes around the world, continue. Writing in Moscow's *Economic Gazette* late last year, legal specialist I. Isachenko ranted: "Openly defying international law, the United States has set up an entire complex of military space systems for recon-

naissance, communications and control, navigation and meteorology and topographical support.... The US adventurist policy conflicts with the consistent policy of the Soviet state with respect to using space exclusively for peaceful purposes." Isachenko's accusations are gratuitous. The Soviet Union does all of those same applications, too, and none of them is in any way illegal by any conventional interpretation of international law.

What only the Soviets have done (although not violating any treaties, either) is to put test weapons aboard "space objects" in orbit around Earth, several dozen times in the past 16 years. This is something that the United States has *never* done, is not even now preparing to do, and probably could not do for years even if congressional approval (preceded by a long national debate) were given.

Cosmonaut Aleksey Leonov, speaking at the launching of a trio of Soviet space pilots last April, pontificated: "Space must never be allowed to be used for deploying weapons. This position meets the aspirations of all the peace-loving forces of the planet. In sharp contrast to this background are the efforts by the current US administration for the forced militarization of space."

Other cosmonauts have obediently taken up the refrain. Georgiy Grechko told a Soviet television audience on August 20: "We know that sights for laser weapons have already been tested on the first shuttle craft—and there are plans to deploy antisatellite systems in space." Grechko was incorrect on all counts, but he scored points by appealing to the United States "as a cosmonaut and as a father" not to darken the skies with space weapons.

Writing in the Soviet Army newspaper *Krasnaya Zvezda,* Col. M. Rebrov referred to the "madman's delusions of the Pentagon maniacs": "Military bases above the human planet, bunkers among the lunar craters, powerful laser guns aimed at Earth, satellites colliding in orbit, blinding flashes, lethal particle beams, the destruction of all living things.... This is an everyday matter in the Pentagon's militarist preparations." Continuing with the standard attacks on the US space shuttle, Rebrov wrote: "In connection with the first flights by *Columbia* and *Challenger*, the Pentagon is already elaborating the most delirious and inhuman plans, a fever of mad ideas.... The task of preventing an arms race in space is becoming more and more acute, to halt the unbridled maniacs of space war."

Once in orbit, the Soviet killer-satellite can pursue its target for hours if need be.

Why this continued Soviet propaganda effort? The motive became clearer in the aftermath of Andropov's pledge to the visiting US senators. At the end of August the Soviets presented to the United Nations yet another "antisatellite weapons" treaty—actually an anti-space-weapons treaty. Unlike their 1981 proposal, which covered only weapons deployed in space, the new treaty would, among other things, prohibit manned spacecraft from being used for military *activities* of any kind. This provision seems clearly aimed at preventing the use of the space shuttle for *any* military purposes. Yet among the shuttle's planned uses are the launching and recovery of most of the next generation of satellites for reconnaissance, early warning, and command, control, and communications. In addition, the shuttle will reportedly be essential for in-orbit testing of prototype hardware for any future space-based antiballistic missile (ABM) system.

Furthermore, if a near-term ABM system, such as the High Frontier project publicized last year, were ordered into production, the shuttle or shuttle-derived vehicles could well be the most feasible way of launching its components into orbit. Indeed, the High Frontier project's book and movie both feature illustrations of the shuttle as the launch vehicle for that system's proposed first-generation space-based ABM satellites. The Soviets may have decided to go all-out to prevent US development of such a system. If so, stirring up hysteria over ASATs could be a convenient means to that end. If the United States can be stampeded into signing Andropov's proposed "ASAT treaty," it will have unambiguously signed away the legal right to develop space-based ABMs using new technologies not expressly forbidden by the 1972 ABM treaty.

Moreover, the practical effect of such a treaty could well be to disarm the United States in this area, leaving it helpless against a Soviet ASAT attack. That's because there is no way (short of full-time, unlimited, on-site inspection in the USSR) that Soviet compliance could be verified. The Soviet killer-satellite warheads can be concealed and ready for launch within hours at numerous locations throughout the USSR. The present launch vehicle, the SS-9, is a standard Soviet ICBM booster, essentially no different from SS-9s used to launch other types of satellites. Any number of killer-satellites and booster rockets could be kept on hand, in secret, ready for launch in any international crisis.

Finally, by manufacturing a phony "American space threat," aided by a chorus of voices in the West, Moscow will have laid the groundwork for justifying its own new space weapons whenever they are officially unveiled—as a "response" to American "provocation." Some American commentators have already provided Andropov with exactly this kind of blank check. As Tom Wicker has put it, development of the US ASAT missile "will only force Moscow to spend the billions necessary to match [*sic*] the US weapons."

Thus, the Soviets have much to gain and nothing to lose with their campaign for "peace in space." If they succeed in halting US work on ASATs, they can preserve their existing unilateral advantage. And if they succeed in using the anti-ASAT hysteria to achieve a ban on *all* military activity in space (*read*: all US military activity in space), they will have blocked what many observers are convinced is the most promising strategic possibility of the nuclear age—space-based defenses against nuclear attack instead of the threat of being able to inflict equal destruction in the event of an attack. And even if their peace-in-space campaign "fails," the Soviets will probably have succeeded in convincing world opinion—including, in particular, many US news commentators, members of Congress, and prominent scientists—that their next generation of space weapons was made necessary only by the US "maniacs of space war."

Last year, a commentator on Radio Moscow made an unintentionally ironic challenge that in fact poses an entirely valid question. "Can one sincerely seek arms reduction on Earth," demanded Igor Dmitriyev, "and simultaneously conduct military experiments in outer space?" It's an excellent question, but thanks to Moscow's facile propagandists and their Western allies, the question is being asked of the wrong side. ◻

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Hard Times for Hard Assets

Congress wants to cash in on collectibles—by taxing them at higher rates.

"It's not *nice* to fool the politicians," seems to be the message from Congress these days.

In the 1970s, Americans discovered hard assets as a refuge from inflation. While the politicians in Washington spent their way through the decade, ordinary citizens in increasing numbers fled from the depredations of a debauched currency, turning from the traditional stocks, bonds, and savings accounts to gold, silver, diamonds, stamps, antiques, fine art, and other exotica. But if people can make an end run around inflation, its political power as a tool of indirect taxation is accordingly reduced. So we shouldn't be too surprised to find Congress attempting to block this citizens' strategy of self-protection.

First came a ban on investing in gold or silver or other "collectibles" as part of tax-sheltered Individual Retirement Accounts (IRAs) or Keogh accounts. This prohibition was adopted by Congress as it was hammering out the final version of President Reagan's 1981 income tax rate cuts.

Then came a requirement that precious-metals dealers keep records of their purchases of gold and silver coins or bullion from customers and hand over to the IRS the name, address, Social Security number, and amount paid. This measure was tacked on to the 1982 tax increase.

By the summer of '83 a lobbying group had sprouted up in Washington—the Industry Council for Tangible Assets—to oppose legislative moves to undercut hard-asset investing. And it looks like the next congressional strategy will be to tackle hard assets as "unproductive" and boost the tax on proceeds from their sale.

Already in 1981, Rep. James Shannon (D-Mass.), a member of the tax-drafting Ways and Means Committee, introduced a bill to deny the lower capital gains tax rates to all "unproductive" assets.

In March 1983 the Democratic Study Group, a caucus group of anti-free-market Democrats in Congress, published a list of 41 "revenue options" for fiscal 1984, including: "Eliminate Capital Gains for Non-Productive Assets." Sen. Bill Bradley (D-N.J.), a member of the tax-writing Finance Committee, circulated a letter in June promoting a book entitled *Inequity and Decline*; the book, Bradley noted, proposed among other things that Congress eliminate "capital gains preferences for investing in gold, collectibles, and other nonproductive assets." And during hearings in July, Rep. Pete Stark (D-Calif.) voiced support for the idea.

This notion that some assets are unproductive and should be taxed more heavily fits in nicely with a political plum that Congress would like to pluck—reducing the capital gains tax on stocks and bonds. These are the

BY JOE COBB

PHOTOGRAPH BY DAVID SMITH

productive assets that supposedly stand in contrast to *unproductive collectibles.* Up until now, both have been taxed the same, although differently from ordinary income.

Since the early 1920s, the tax code has recognized that the appreciation of assets is a source of income unlike wages, dividends, and interest. Some allowance must be made for the difference between periodic flows of income and changes in market values when property is bought and sold. The issue is significant because of the importance of capital to economic activity. A progressive income tax tends to confiscate capital if no allowance is made for long-term holdings, because any accumulated gain is realized only in the year of sale, making the seller's tax rate in that year disproportionately high. A lower tax rate for capital gains and a minimum "holding period" to qualify for it have been the solution to this problem for 60 years.

But now the securities industry wants the holding period for investments reduced from one year to six months. Stock and bond traders earn commissions only when investors buy or sell shares, not when they hold them for years and years. If Congress shortened the term for which an investment must be held in order to qualify for the lower capital gains tax, this would boost investors' incentive to trade shares recently bought.

The proposal is even being sold as a "revenue enhancement"; for it would have, say some, an "unlocking effect." The Treasury only collects capital gains taxes when investors sell their assets, not during the time they are holding them. If clients' accounts were churned more often, the government could get its cut—and investors would enjoy the faster action, of course.

In order to justify changing the tax laws to increase the incomes of stock and bond traders, however, Congress has to find some excuse for classifying investment in securities as particularly beneficial to the economy. The trick is to put a negative label on the kinds of investments that stock brokers don't handle—coins and bullion and other tangible assets. That label is "unproductive." By this distinction, if you lend someone $1,000 for use in his business or buy shares of stock, it's productive; but if, to raise the same $1,000, he sells you a coin collection he inherited from his grandfather, it is unproductive. If the label "unproductive" can be made to stick to tangible assets, the law can be changed and the securities industry will be very, very grateful to Congress.

Yet the attack on "unproductive" investments is likely to backfire, because it is intellectually flawed. It is an old fallacy. In his economic classic *The Wealth of Nations*, even Adam Smith described the labor of domestic servants as unproductive. Criticizing this analysis, the early giant of the British neoclassical school of economics, Alfred Marshall, wrote, "It is a slippery term, and should not be used where precision is needed." He explained:

> *There is doubtless in many large houses a superabundance of servants, some of whose energies might with advantage to the community be transferred to other uses: but the same is true of the greater part of those who earn their livelihood by distilling whisky; and yet no economist has proposed to call them unproductive.*

A sense of fair play may prevent Congress from placing a higher tax rate on the hourly wages of distillery workers than on school teachers, but if any of them want to invest part of those earnings in gold coins rather than taking a flyer in the stock market, they had better watch out!

John Kenneth Galbraith once suggested that the tailfins popular on automobiles in the 1950s are unnecessary—"unproductive consumption," as it were. This example should demonstrate how dangerous the new discriminatory tax proposal really is. Just as the beauty of tailfins is a matter of opinion, so is the worth of investments.

Many investments prove to be duds, but should the tax laws classify them as "unproductive"? Bad investments are by definition not productive, and surely government revenues would be enhanced if capital losses were not deductible. Even the most aggressive tax increaser, however, recognizes that a bias of this nature would penalize any kind of risky investment disproportionately—even those that turned out to be the most beneficial and productive.

Even the notion of "productivity" that is put forward in favor of the shorter holding period for stocks and bonds, in contrast with tangible assets, is faulty. The superior social quality they are supposed to have is some connection with employment or economic growth, either through new-job creation or an increased productivity in existing jobs.

Except for new stock issues, however, shares of corporations traded among investors do not meet this criterion. Trading the shares of established businesses does not raise new capital. The stock market is essentially a resale market—its benefit to society comes from the liquidity it provides investors, partially reducing the risks of their portfolios. Investments in certain popular gold and silver coins provide exactly the same benefits.

The assumptions in an economic model often predetermine its conclusions. Consider this analysis of the error behind the "productive" versus "unproductive" model:

> *The imaginary construction of an autistic economy is at the bottom of the popular distinction. . . . Every phenomenon of the market economy is judged with regard to whether or not it could be justified from the viewpoint of a socialist system. Only to acting that would be purposeful in the plans of such a system's manager are positive value and the epithet "productive" attached. All other activities performed in the market economy are called "unproductive" in spite of the fact that they may be profitable to those who perform them.*

The prominent Austrian economist Ludwig von Mises so identified the underlying idea of this "new" tax idea over 35 years ago.

A split in the investment community among securities dealers, financial institutions, fund managers, and tangible-asset traders is self-destructive. Confiscation of property through taxation is bad enough; arbitrary distinctions in that confiscation are likely to backfire. Investors have diverse goals, but all of them invest with the hope of being better off in the future. Investors in gold and silver and other tangible assets are aiming for future benefits the same as people who buy blue-chip shares, new issues in high-tech companies, or soybean futures. Perhaps the major difference in the investment expectations of tangible-asset investors is a stronger concern about the spending habits of Congress or a healthy skepticism about the Federal Reserve's manipulation of the money supply.

The trend toward widespread ownership of gold and silver coins is in the best interest of the entire investment community. As a symbolic resistance to the vicissitudes of monetary and fiscal policy, it might make passive acceptance of government economic controls less likely in the future—and awareness of that by legislators and presidents might foreclose the risk of such controls, which would destroy the free economy.

Members of Congress may find the distinction between productive and unproductive investments seductive. But they should not be allowed to use this old fallacy in their campaign against hard-asset investing. ◻

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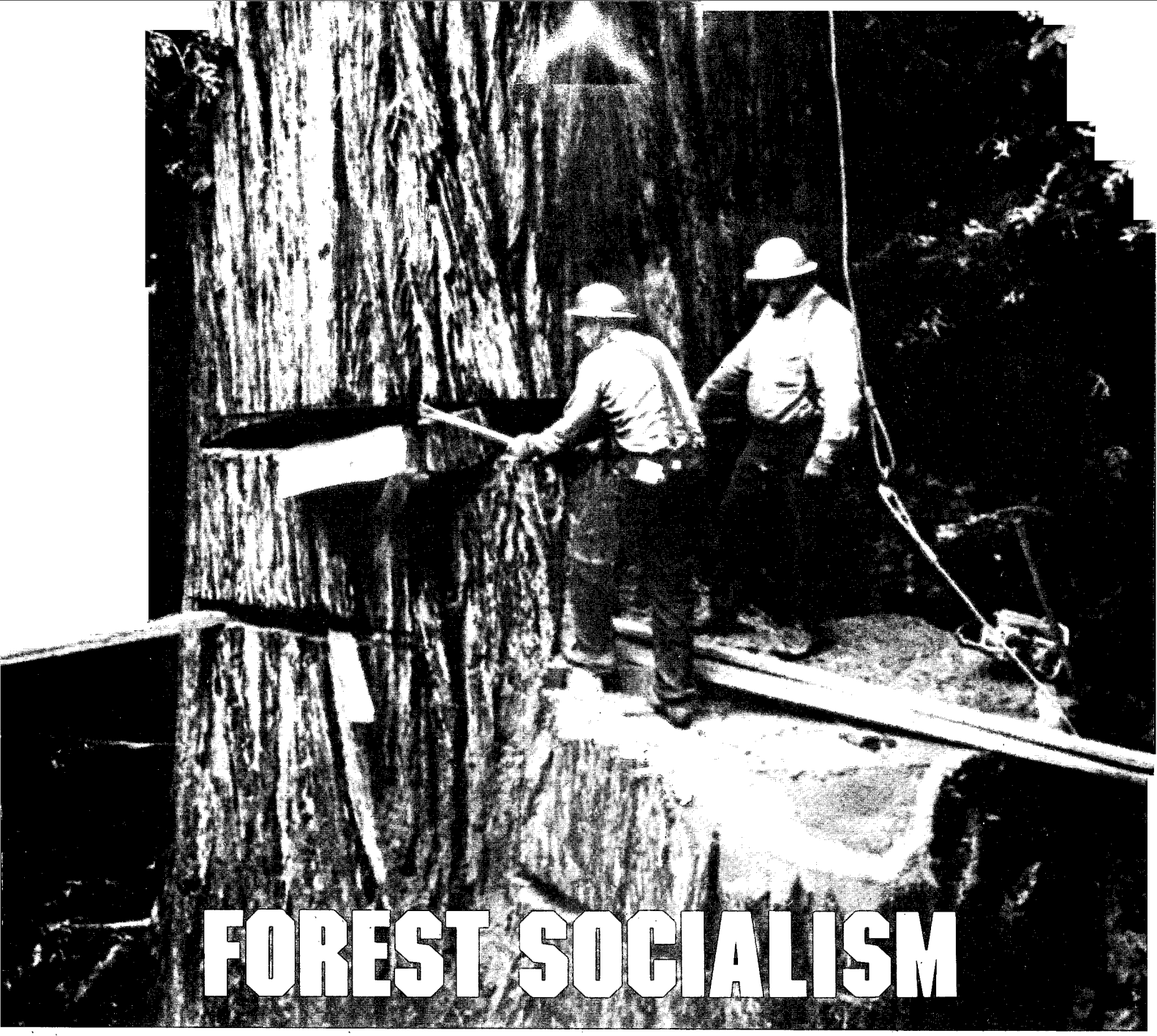

FOREST SOCIALISM

National forests are socialized forests, and corporate America wants to keep it that way.

BY BRUCE RAMSEY

When the Reagan administration, in 1981, first proposed the idea of selling at least a portion of the federal government's 107 million acres of timberland to private concerns, the plan met with a roar of opposition. Not only did environmentalists, consumerists, and recreationalists cry out against the proposal—many within the timber industry itself criticized the plan. "I think the industry's going to be satisfied with letting the government run [the federal timberlands]," John Wishart, vice-president for timberlands of Georgia-Pacific Corp., told me earlier this year at a Seattle conference on privatizing national forests, "because they're getting stumpage"—standing timber—"cheaper than otherwise." (Wishart, however, confided that he personally favors privatization.)

In addition to harvesting trees from their own lands, timber companies cut timber in federal forests and pay the government for it (so much per thousand board-feet). In this way, the companies avoid the maintenance costs of the land and various other costs (including property taxes). Moreover, the industry can use its considerable lobbying power to influence federal timberland management policy.

Privatizing federal timberland—which totals about one-fifth of all US timberland—makes perfect sense to economists, who see no crucial difference between land that grows a commercial crop of trees and land that grows a commercial crop of wheat or apples. In either case, the land is apt to be managed more intensively and productively by private

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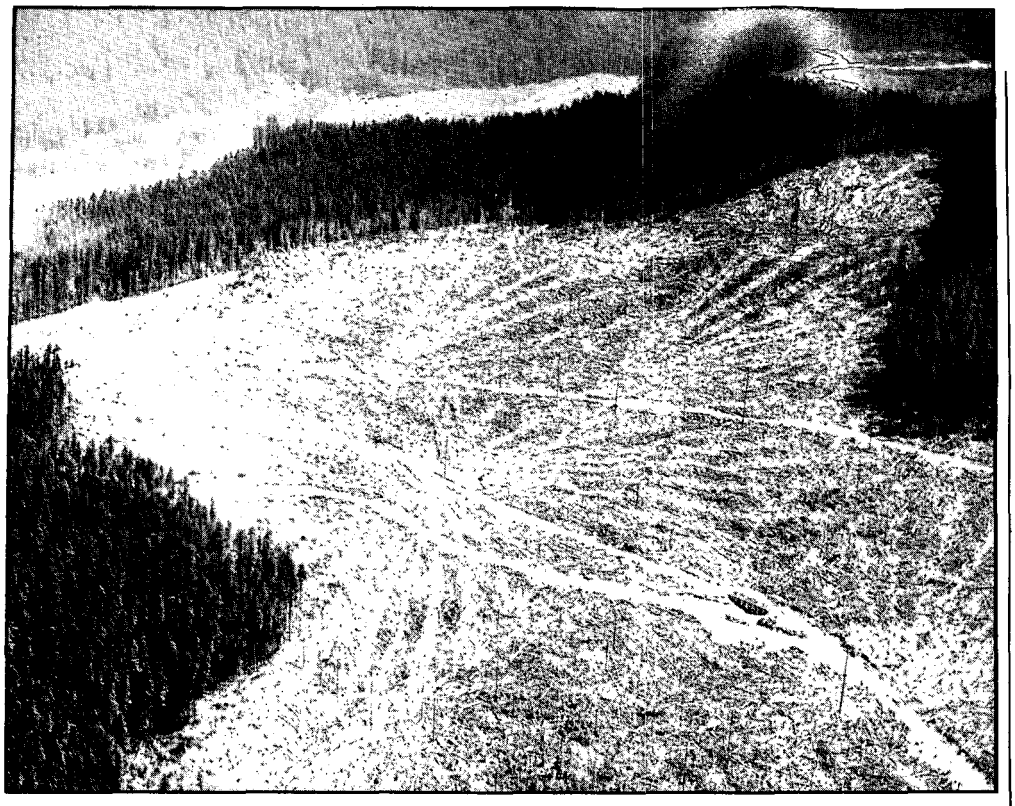


Clearcut timberland: Timber companies have used clearcut harvesting extensively in the Pacific Northwest. It is economical but ugly.

owners. The profit incentive will induce private landowners both to lower their costs and to produce more wheat, more apples, or more board-feet of lumber than the managers of federal lands.

That's the economics of it. But politically, the suggestion to sell off federal forests is about as popular as a personal attack on Smokey the Bear. So the Reagan administration, bolder at floating ideas than backing them up, let the sell-off idea recede to the back burner.

Selling forest land was part of the administration's wider plan to sell off $10-$20 billion in federal property—everything from Western sagebrush plains to surplus military bases. In its budget message for 1982, the administration proclaimed: "We will move systematically to reduce the vast [federal] holdings of surplus land and real property [since] some of this property is not in use and would be of greater value to society if transferred to the private sector. In the next three years, we could save $9 billion by shedding these unnecessary properties."

Opponents fiercely denounced the plan. The Sierra Club, for example, attacked the proposal as a "Master Plan for Government Giveaways"—part of the title of a Nov.-Dec. 1982 article in the club magazine, *Sierra*. Wrote John Hooper, the club's public-lands specialist: "The wealth of our nation—our very strength and heritage—is being turned over to private interests." And columnist Jack Anderson warned that proposed federal-land sales were a "scheme that could lead to one of the biggest land grabs by greedy private interests in the Nation's history."

The land-sale opponents often blurred the distinction between national park land, which was never considered for sale, and the millions of acres of land used to grow timber as a commercial crop. Turning park land into cropland was not the issue of the sell-off proposal; rather, it was the ownership of land already being used to grow commercial crops.

Moreover, the opponents of land sales used terms like *land grab* and *giveaway* to describe a proposed auction sale. At a conference at the University of Washington in Seattle held earlier this year to debate the idea of selling the national commercial forests, liberal economist Robert Lekachman said that "any administration so besotted with private enterprise as this one is very likely to dispose of public assets at bottom-basement prices."

But the land was to be *auctioned*. And auctions of public timber rights in the Pacific Northwest, where loggers three years ago bid a record $400 per thousand board-feet for public timber—double today's price—show that the private sector is sometimes willing to pay high prices for federal trees.

In any case, the federal timberlands are a dubious financial asset to the US government and, hence, to the taxpayer. According to economist Steve Hanke of the Heritage Foundation, these lands produce a net cash-flow deficit of more than $1 billion a year. Hanke, who pushed a radical privatization plan while a senior staff economist on the President's Council of Economic Advisers, argued in the *Los Angeles Times* earlier this year: "From an economic standpoint, the federal commercial lands in this portfolio are not assets; they are liabilities." Taxpayers would even be better off, Hanke claimed, if the land were *given* away.

Of course it would be sold. At a dirt-cheap price of $50 an acre and $74 per thousand board feet of timber, the total of national forest timberlands would bring $104 billion, Hanke calculates. And if it were auctioned off carefully, it could bring much more than that.

Two factions backed the timber-sale idea: the economists and the budget balancers. For matters of economic efficiency, the economists saw the privatization of state land as desirable in itself. The budget balancers saw it as a way to raise a few billion without imposing new taxes. Environmental and outdoor groups, who would lose much of their influence over land use if the forests were sold, immediately tore into these privatizers—Hanke, in particular—as wolves in accountant's clothing.

To make the most forceful case for selling the national forests, Reagan himself probably would have had to come out boldly and say that the federal government ought not to be in the timber-farming business. This he would not do—there simply was no constituency for this view. According to timber-industry observer Luke Popovich, in an article in *American Forests* magazine in September last year, the prospect of timber privatization "is unsettling to the cozy fraternity of public officials and industry and environmental lobbyists who comprise official Washington."

When a key privatization resolution by Sen. Charles Percy (R-Ill.) failed to pass the Republican-controlled Senate in late 1981, the administration began to shrink the privatization program. "The administration has backed off significantly," said Thomas P. Williams, staff specialist for the Senate Energy and Natural Resources Committee, at the privatization conference in Seattle. "Backing away is always bad political strategy," Williams noted. "You don't want to retreat. But frankly, the public doesn't support privatization, and the administration did not have the votes."

Hanke, the chief privatization proponent at the White House, was forced to resign from the President's Council of Economic Advisers in mid-1982. The reason, wrote Popovich, was "largely because his outspoken advocacy had alienated the administration's traditional allies." The sweeping privatization that Hanke envisioned—and which, he says, had the personal backing of Ronald Reagan—has now become, in the administration's hands, a timid effort at "asset management."

The timberlands part of the scaled-down "asset management program" was announced in early 1983. The administration said it would study the sale of isolated parcels of national forest land—about 3 percent of the total. "It's such a small, piddling amount," Hanke told the *Seattle Post-Intelligencer*, "you need a magnifying glass to find it." The administration wants "some marginal adjustment in timber holdings," said Doug MacCleery, deputy assistant secretary of agriculture, at the Seattle conference. "It is *not* a privatization program."

Like deregulation of airlines and trucking, privatization of forest land is an idea that comes from economists, not from the industry. Ironically, in view of its opponents' charges, the land-sale plan was no attempt at a "land grab" by business. Many in the forest-products industry like the ownership situation just as it is. "Industry lobbyists were uninterested in privatizing what they enjoyed at cost," wrote Popovich in *American Forests* last year. "Industry thinks no more of buying the public domain lands than tuna fishermen think of buying the Pacific Ocean."

Others in the industry would prefer to get the government out of the tree-growing business but don't want to bet on a sure loser. When it comes to political philosophy, industry is not very entrepreneurial. Indeed, according to John Wishart, who oversees Georgia-Pacific's 4.63 million acres of timberland, the forest industry is "a long way" from supporting privatization. Wishart was one of the few industry people who attended the University of Washington privatization conference.

The chief academic spokesman for privatization of timberlands has been Prof. Barney Dowdle of the University of Washington. For 20 years, his self-appointed mission at the university's College of Forestry has been to apply market economics to forestry, historically a profession with much closer ties to the US Forest Service than to industry.

For years, Dowdle was something of a pariah. His ideas were unfashionable politically and, more important, unfashionable with the forestry school's dean. If he had any allies at the university, they were more likely to be in the Economics Department, which has long been a stronghold of free-market-oriented economic theory.

"Barney represents a point of view not typical of foresters," Charles R. Nelson, chairman of Washington's Economics Department, once told the *Seattle Post-Intelligencer*. "After years and years of being a maverick, he's starting to have an impact—and my opinion as an economist is that he's right on."

In any case, Dowdle's allies were *not* in industry. "I have 20 years of accumulated scar tissue from private industry," he said at the Seattle conference. "Industry is generally not interested in free enterprise. They're interested in subsidized wood."

But Dowdle's criticisms of the industry are tempered by a recognition of industry people's perception that to survive they must deal with political reality. "Given a choice of supporting nonsense that may get them more timber now or working for legislative or administrative reform that may take years," Dowdle has written, "their actions are not surprising." The "nonsense" Dowdle refers to has its origins in federal actions of nearly a century ago.

"Government timber production in the US is an atypical case of state ownership and centralized planning that arose largely as a result of historical accident," argues Dowdle. "Simply speaking, the country made a mistake." Originally, US government policy was to transfer public lands to private owners. But during the period 1891-1907, after most of the eastern forests had been privatized, the policy was reversed.

This explains the current pattern of forest ownership in the United States. In Maine, for example, 48 percent of the commercial forest is now owned by forest companies, and virtually all the rest by smaller private owners. The Forest Service has less than 1 percent. In Oregon, by contrast, the Forest Service has 48 percent of the commercial forest, and other public agencies (including the federal Bureau of Land Management) own 14 percent. Forest companies own 23 percent of the commercial forest, and small private owners hold 15 percent.

The difference has nothing to do with the type of trees native to Oregon or Maine or with the inherent merits of private ownership in one place versus the other. It has everything to do with how much forest in those states had been privatized when federal land policy changed in the 1890s. In states settled later than Oregon, such as Idaho and Montana, the percentage of forest land federally owned is even higher than in Oregon, and in Alaska it is highest of all.

The national forests were the product of the same populist era that created railroad regulation, the Food and Drug Administration, and the first antitrust laws. In 1891, Congress passed the General Revision Act, which allowed the president to withhold public-domain timber. Each president withheld timber until the law expired in 1907, when 150 million acres of withheld land became the national forest system. The US Forest Service, an agency of the Department of Agriculture, was set up to run it.

Barney Dowdle, forestry professor at the University of Washington, has found little industry support for his idea to sell off federal timberland.

Behind the push for public forests was the young forestry profession. The discipline of forestry originated in Germany, where the forests had been managed as a steady-state economy since medieval times. There, village folk relied on publicly owned forests for game, timber, and fuel, and it was the forester's job to see that the resource wasn't overused. Game was protected by bag limits, and timber was protected by an annual allowable cut, an idea Dowdle sardonically calls "bag limits on trees."

In 19th-century America, there were no bag limits on trees or on much of anything else. Foresters schooled in the German tradition, such as President Hayes's Interior Secretary, Carl Schurz, argued

that only public ownership and management would save the forests from ruin. Bernhard Fernow, who was the first chief of the Department of Agriculture's Division of Forestry, argued that the market was unsuited to growing timber as a crop, because anybody who planted such a crop was unlikely to live to see it harvested.

To this rationalization of government intervention, economists answer that trees do not have to be harvested to be sold. There is no problem, says Dowdle, "as long as old men can sell assets to young men." There is one other condition: the assets must be gaining in value fast enough to make them worth holding on to.

This latter, however, was not the case in the 19th century. Timber production was a "mining" industry, thus depleting a given inventory of wealth. The lumber industry moved its logging operations from New England to the South to the Great Lakes region to the Pacific Northwest, never replanting a tree.

Dowdle does not advance the argument, put forth by some supporters of privatization, that the land was despoiled because it belonged to the government and that private owners would have reforested. The lumber industry cut and ran, Dowdle says, because there was so much timber relative to the demand. It was cheaper to buy it than to grow it. In some cases, the cut-over land was worth more than the forested land, implying that the timber had *negative* value.

In the 1890s, timber *growing*, as an industry, would not be profitable for another half-century—which is probably why the forests were nationalized so easily. The government was taking over an inherent loser, just as it did 80 years later with passenger railroads.

Corporate tree farming didn't begin until the late 1930s, when political pressure began building for the nationalization of *corporate* timberland. In the early '40s, Weyerhaeuser Co. dedicated the nation's first corporate tree farm in Washington State and started the National Tree Farm Movement, a timber-industry commitment to controlled reforestation.

It wasn't until after World War II, however, that tree farming caught on, spurred by a great climb in timber prices. As recently as the late 1940s, says Dowdle, standing timber was selling for $2 a thousand board feet, about 1 percent of recent prices.

The great rise in timber prices, more than anything else, has turned lumbering from a kind of mining to a kind of agriculture. Today, America's forest companies are corporate wood farmers.

Wood farming has its drawbacks. Clear-cutting, an economical harvesting method for timber companies in which every tree on a large tract of forest (usually 250 acres) is felled, is ugly. From an airplane, much of the Pacific Northwest's lower Cascade Range looks like the head of a man losing patches of hair. Sloppy clear-cutting has silted up streams, ruining them as spawning grounds for salmon. And the long-term effects on the soil of removing trees rather than letting them rot are not known.

Replanting tends to create a one-species forest, which may lessen the diversity of wildlife. And while commercial timberlands tend not to be prime hiking areas, privatization of the national forests could remove or restrict recreationalists' cheap access to hunting and fishing on these lands, which has come to be regarded as a right in Western states.

But conventional farming also reduces the diversity of wildlife, introduces chemical fertilizers, and restricts access to farm land. Certainly, replacing natural grasslands with fertilized wheat fields has had environmental and social effects, not all of them nice. But these have not been so great as to become arguments against farming per se.

If the world is to use wood, it needs wood farmers. Privatization of the federal government's commercial forest land is simply a proposal to sell the most productive part of the woods to wood farmers, who will get the most wood off of it.

That the forest industry gets more wood out of its land than the government produces on federal land should come as no surprise. Private companies own the land for the single purpose of maximizing the long-term income from it. The federal government's land-management goal is to provide for "mixed use." This is a conveniently unquantifiable goal continuously redefined by Congress, by the land-management bureaucracy, and by the interplay of lobbyists in Washington. It does not result in efficient production of wood.

In 1977, in the Pacific Northwest, for instance, forest companies harvested 5.5 percent of their trees. Loggers harvested a mere 1.3 percent on the national forests. These figures are roughly typical for the last 30 years. The 5.5 percent rate reflects the removal of old-growth trees—so old that they may be decaying as much as they are growing—and is not a sustainable rate. Dowdle believes a long-run harvest of 4 or 4.5 percent is quite possible.

In any case, the higher rate of harvest on industry land has been accompanied by a higher rate of tree growth. According to the American Forest Institute, an industry research organization, in 1970 the average growth per acre on corporate forest land was 52 cubic feet a year, compared to 30 cubic feet on the national forests. And in 1977, according to a study by economist Marion Clawson, growth per acre on corporate forests averaged 59 cubic feet per year, compared to 35 cubic feet on national forest land.

The timber companies make much of timber management. Seedlings are carefully nurtured in greenhouses before being transplanted to the forest, and genetic research is conducted to increase wood production. But in the short run, an even larger advantage of private ownership is the use of economic calculation to decide when and how much timber to harvest.

A big reason for the small harvest on national forest land is the noneconomic concept of "nondeclining even flow"—a concept that Dowdle traces back to those medieval Germans protecting the forest commons with "bag limits on trees." Simply stated, nondeclining even flow is the idea that planned timber harvests must never be permitted to decline. To do this, the annual cut is set to equal the annual net growth, so that the net amount of wood in the forest is always the same.

Biologically, the problem with even flow is old-growth timber. The annual net growth of an old stand of trees may be zero—new growth may be canceled out by insect damage and decay. The most effective way to increase the net growth of such an area is to *cut down* the trees and plant new ones—which is precisely what even-flow forestry frustrates. Yet, federal law requires national timber land to be managed on this "sustained yield" basis.

To an economist, sustained yield is really a sustained *inventory* policy. It means the resource owner is restricted in adjusting his inventory. And it assumes that the inventory he begins with is the economically proper amount.

"We always will want to keep a comfortable cushion of timber growing into commercial inventory. But neither we nor any other business needs a 130-year supply in inventory. That is what we've had in the past, and we are in the process of working it down." That is the policy of Weyerhaeuser, as stated by the company's number-two executive, Charles Bingham.

But since the US Forest Service is required by law to follow a sustained-yield

policy on its lands, it cannot "work down" its inventory. Thus, in deciding how many trees to allow to be cut and how many to let stand, it is forbidden from using economic calculation.

Environmentalists claim that the timber industry has over-cut its proprietary land—particularly in California, Oregon, and Washington, according to Sierra Club public-lands specialist John Hooper. But the American Forest Institute reports that the Pacific coast is the only part of the country where harvests have exceeded net growth, due to the removal of old-growth trees. (Why let them sit there if they aren't growing?)

Most of the old-growth trees on corporate land have been cut. In the Pacific Northwest, most of the forests replanted in the first four decades of the tree-farming movement will not be mature until the next century. The result, if public ownership and public policies stay the same, will be a slowdown in the timber harvest in the next 20 years.

In a major study of Oregon timber lands in 1976, the Forestry Research Laboratory at Oregon State University reported that under present allowable cuts on federal timber land, the harvest in western Oregon would decline 22 percent by the year 2000. However, if allowable cuts were changed, harvests could be increased 25 to 30 percent on the national forests. Over all of western Oregon, then, the harvests (and, implicitly, the economic benefits) need not shrink at all.

Most of the US lumber harvested in the 20th century has come from private land. For the first 50 years of their existence (1907-1957), national forests contributed only 3 percent of the total production of softwood sawtimber—the primary material for most lumber, plywood, and pulp products—says Dowdle. The result is that the federal government now holds 63 percent of the nation's uncut timber, while it owns only about 20 percent of the nation's commercial timber land.

For the first time, the nation really needs the timber on federal land. Only now, nearly a century after the decision to retain government ownership of some 90 million acres of commercial forests (now at about 107 million acres), is the cost coming home.

"If you've got counterproductive policies in the lettuce industry, they'll show up in one season," Dowdle commented to me in an interview. "If you've got counterproductive policies in the timber industry, it might take *80 years.*"

Much federal timberland would be inaccessible to logging machinery were it not for Forest Service roads—a huge subsidy to timber firms.

If land stays in public ownership, especially under the limitation of sustained yield, much of the cost will be borne in the Pacific Northwest. There, 73 percent of the timber is in government ownership, compared to 14 percent in the South. This has intensified a flight of forest-products investments.

The Northwest's timber companies have been investing in the South for several decades. Weyerhaeuser, a Tacoma-based company that got its start in 1900 when Frederick Weyerhaeuser bought 900,000 acres of railroad land grants in the Northwest for $6 an acre, now owns more land in the South than in the Northwest. Georgia-Pacific, which had moved early in its corporate history from Georgia to Portland, Oregon, moved back to Georgia last year. G-P's 3 million acres in the South constitute more than two-thirds of its holdings.

The companies have several reasons for moving. Freight rates to eastern markets are lower from the South than from the Northwest. And provisions of the Jones Act prevent northwestern companies from hauling lumber through the Panama Canal on foreign vessels, whose rates are lower than domestic freighters. Southern pine also grows faster than Douglas fir, the predominant Northwest timber crop. And southern labor costs are lower than the Northwest's.

But still, there has been another reason. Timberland in the South—most of it privately owned—can be bought and sold. In the Northwest—where the federal government holds much of the commercial forests—ownership of timberland is comparatively restricted.

There's "no question" that the pattern of federal landholdings has speeded up the movement of the industry from the Northwest to the South, Gilbert L. Oswald, vice-chairman of Simpson Timber of Seattle, told me in an interview. "If you want to grow, the opportunity lies in the Southeast, because of the land ownership."

Who would buy the federal timberland? Forest companies could not afford all of it—especially now, after having just survived the toughest recession in their industry since the 1930s. Small woodlot owners would probably buy a fair share of it, if it were offered in small parcels. (Non-timber-industry owners now hold 278 million acres—or 58 percent—of US timberland.) In addition to these buyers stands one possible big buyer: pension funds.

Why pension funds? For one, they have the money. Two, they have *long-term* money that traditionally is invested in long-term assets, like 30-year government bonds. Three, government bonds are paper assets, more vulnerable to inflation than any other investment, while trees are "hard" assets. And four, unlike other "hard" assets, such as gold and silver, trees *grow.* ◻

Bruce Ramsey, a business-news writer for the Seattle Post-Intelligencer, *regularly reports on the timber industry.*

Special Annual

Mises and Keynes: A 20th-Century Puzzle

NATION, STATE, AND ECONOMY

By Ludwig von Mises

New York: New York University Press. 1983.
221 pp. $30.00.

REVIEWED BY HENRY HAZLITT*

The translator of Ludwig von Mises's *Nation, State, and Economy*, Leland B. Yeager, reminds us in his introduction that this volume, newly available in English, was published in the same year, 1919, and only a few months earlier than John Maynard Keynes's *The Economic Consequences of the Peace.* This leads him to compare the two books and two economists. Such a comparison poses a sad puzzle of history: Why did the better economist of the two—better by far—live out his professional life in relative obscurity, while the inconsistent and often superficial economist swayed presidents and parliaments and, ultimately, affected the life of every citizen?

Born in 1883 in England, Keynes studied economics at King's College, Cambridge, under the tutelage of the renowned Alfred Marshall. Upon graduating from Cambridge, Keynes embarked on a career in the civil service, first with the India Office and later with the Treasury. As a high-ranking official with the Treasury, Keynes took part in the Versailles peace conference. But, adamantly disagreeing with the direction the negotiations were taking, Keynes resigned and penned his controversial, highly critical *Economic Consequences of the Peace*, in which he not only denounced the peace negotiations but painted caustic portraitures of the statesmen involved.

Keynes never again held as high an official post as he had during the First World War, but his influence didn't wane. Indeed, it grew—in academic circles because he became an economic fellow at the preeminent King's College, Cambridge, and in public circles because of his continuing interaction with influential statesmen. Above all, of course, Keynes's *General Theory of Employment, Interest, and Money*, published in 1936 in the midst of the Great Depression, ushered in the Age of Keynes. His *General Theory* became the bible of the New Deal; and Keynes, the most famous economist of the 20th century.

Not all economists were swept up by Keynes's justification of public expenditures, deficit spending, and so on as a means of reducing unemployment. Among one of the most profound was Ludwig von Mises (1881-1973), the expositor of the Austrian School of economics that has consistently championed free-market capitalism. Mises enrolled at the University of Vienna in 1900 and studied under the path-breaking Eugen von Boehm-Bawerk, who was developing the marginal utility theory of economics. During his 25 years as professor of economics at the University of Vienna, and then at the Graduate Institute of International Studies in Geneva, Mises built his reputation as a systematic scholar of economics in the marginal utility, or subjective-value, tradition.

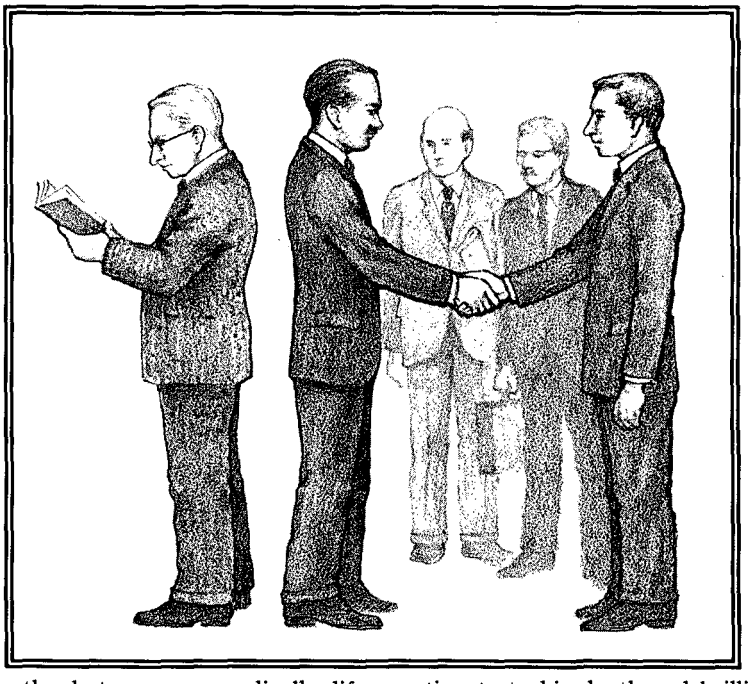
Anticipating Hitler's arrival in Austria, Mises went first to Switzerland, then to the United States in 1940. Though he had

**The editors have supplemented Mr. Hazlitt's review with some background material on both Keynes and Mises.*

ILLUSTRATIONS BY SUSAN SALLADÉ

Book Section

already published half a dozen books prior to his arrival in the United States, only one, *Socialism: An Economic and Sociological Analysis*, had been translated into English. This relative obscurity, coupled with his iconoclastic views given the widespread appeal of Keynesianism, made it difficult for Mises to obtain an academic position. Five years lapsed before he became visiting-professor at the Graduate School of Business Administration of New York University, where he taught until 1969.



Though the "new economics" devised by Keynes quickly took firm hold among Western economists, Mises continued relentlessly to pursue a radically different economics, publishing in 1949 his monumental work *Human Action*. It "should become the leading text," I wrote at the time, "of everyone who believes in freedom, in individualism, and in the ability of a free-market economy not only to out-distance any government-planned system in the production of goods and services for the masses, but to promote and safeguard, as no collectivist tyranny can ever do, those intellectual, cultural, and moral values upon which all civilization ultimately rests."

Mises's earlier work on socialism is surely the most devastating analysis of that illusory system ever written. "Even angels, if they were endowed only with human reason, could not form a socialistic community," he wrote. Socialism must fail, he noted, because it is incapable by its very nature of solving "the problem of economic calculation"—the problem of how much to produce of what, when—which information capitalism collects and conveys through money prices and money costs of goods fixed by competition in the free market.

Despite his stature as a scholar, however, Mises only belatedly achieved recognition for his work. And this recognition has consisted primarily of a handful of honorary degrees and academic awards: hardly honors proportionate to his depth and brilliance. Keynes, on the other hand, with his *General Theory*, attained unprecedented influence, especially on practical economic policy. Yet, I concluded many years ago, the Keynesian bible contains not "a single important doctrine that is both true and original. What is original in the book is not true; and what is true is not original."

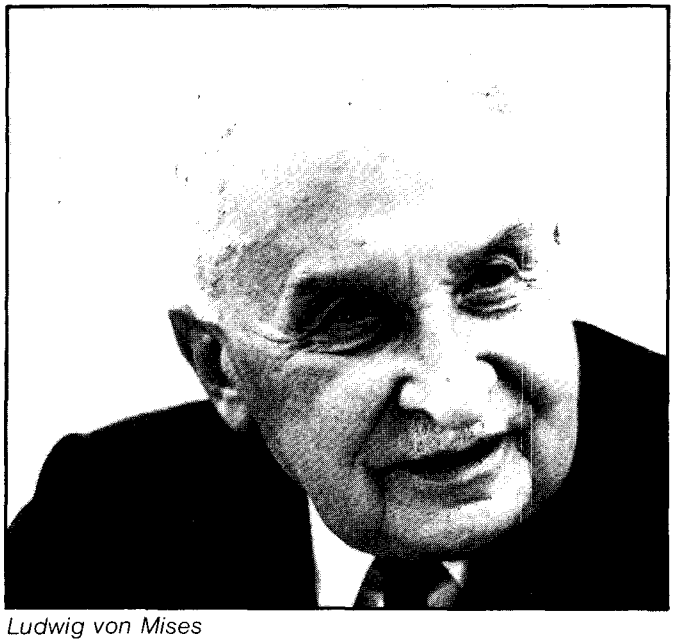
One cannot understand the relative influence of these two men by virtue of their respective merits as thinkers. Instead, one has to look at their temperaments and, in the end, the implications of their arguments. Though considered a brilliant thinker by many, Keynes was first and foremost a man of action who sought to change the course of events in the world.

And his views provided, as has been frequently noted, an academic rationale for the inflationary policies that had long been attractive to politicians. "There is no doubt Keynesian economics has served *governments* well," notes economist W. H. Hutt. But what about the *governed*?

Unlike Keynes, Mises was primarily a scholar. He rested his case on a logic that could not be easily popularized. Nor could his individualist views possibly have appealed to policymakers eager to engineer economic activity for the collective. But decades of Keynesianism have *not* rid us of unemployment, and Ludwig von Mises's following is growing. This interest is partly responsible for a resurrection of some of his earlier works. Thus, we finally have an English translation of *Nation, State, and Economy*, Mises's counterpart to Keynes's *The Economic Consequences of the Peace.*

There is one further important point of agreement between the Mises and Keynes books of 1919. Keynes thought that the reparations demanded by the Allies from the Central Powers were vindictive and far too burdensome. And so did Mises. The outcome of the war, he wrote, "brings hundreds of thousands, even millions, of Germans under foreign rule and imposes tribute payments of unheard-of size on the rest of Germany. . . . Need and misery for the German people will emerge from this peace."

Yet these areas of agreement between Keynes and Mises were not to last long. In *A Revision of the Treaty* (1922), and in later writings, Keynes kept pursuing his demands for successive reductions in the amount of reparations; and for various reasons such successive reductions were actually made. Mises, on the other hand, changed his mind—just when,



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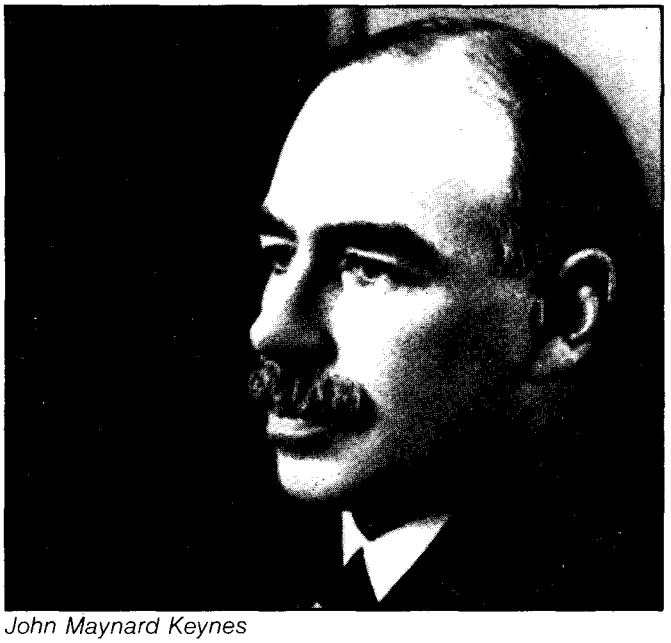
Ludwig von Mises



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John Maynard Keynes

Most present-day readers, having in mind the subsequent work of the two authors, might be surprised by a comparison of the two books. Instead of the sharp contrast that they may expect, they will find striking similarities. This is because the Keynes who wrote *The Economic Consequences* in 1919 was quite different from the Keynes who produced the *General Theory* in 1936. Though he could not restrain himself from a few sarcastic jabs at capitalism, the Keynes of 1919 was a nearly "classical" economist of the Cambridge school and a disciple of his "revered master," Alfred Marshall. In *The Economic Consequences* he wrote one of the most eloquent denunciations of inflation that has ever been penned. I quote only a few sentences:

"Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. . . . All permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery.

"Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

I do not know; but he remarked to me frequently that, at least partly because of Keynes's influence, reparations were eventually reduced to a point where Hitler was able to rearm and launch World War II 20 years later (the very "war of revenge" that Mises warned Germany against in this 1919 book).

Mises's *Nation, State, and Economy* is a wide-ranging book. In addition to the issue of German reparations after World War I, it discusses such subjects as the nature of "nationality," an economy in wartime, socialism, imperialism, and utilitarianism. Though it is a mature work—Mises was 37 when he wrote it—it does not compare in scope or quality with any of his three masterpieces: *The Theory of Money and Credit, Socialism,* and *Human Action.* Readers of his other works will be familiar with many of its leading ideas.

But those who have read Mises extensively have also come to know that when he writes on a subject that he has discussed elsewhere, he seldom merely repeats himself. He nearly always manages to throw some additional light on it. Here, in examining the 1914–18 wartime economic controls of the Central Powers, for example, he reminds us that these were at least as stupid as the wartime controls of the Allies. He dismisses them briefly: "It was dilettantism of the worst sort to set maximum prices for these goods [that could have been produced domestically]. Production could have been stimulated only by high prices; the limitation of price increases throttled it."

A substantial section of the book—some 45 pages in all—is devoted to a discussion of socialism. Readers of Mises's full book on the subject will want to know how this earlier analysis compares with it. One would have to do considerable rereading of that great 599-page classic (originally published in German in 1922, translated into English in 1936) to make a more confident comparison, but my impression is that this 1919 discussion is much more elementary. Perhaps Mises had just begun to turn prolonged attention to the subject. Yet there is nothing superficial about his analysis. He goes directly to central issues. For example, he notes that "in the socialist society the distinction between rich and poor would fall away; no one would any longer possess more than another, but every individual would be poorer than the poorest today, since the communistic system would work to impede production and progress."

Of private ownership, he remarks that it "fulfills its social function by converting the means of production into the hands of those who best understand how to use them.... What is missing [under socialism] is the incentive of the owner's self-interest.... The result of social production must therefore remain behind that of private production...[under which] free enterprise pitilessly culls out all the less productive enterprises and firms."

In his final chapter Mises deals with such ultimate questions as the goals of human life. Here, he sets forth his own philosophy of "rationalist utilitarianism" and defends it against the criticism of being merely materialistic:

"The utilitarian policy has...been reproached for aiming at the satisfaction of material interests and neglecting the higher goals of human striving. The utilitarian supposedly thinks of coffee and cotton and on that accounts forgets the true values of life. Under the reign of such a policy all would have to be caught up in precipitous striving for the lower earthly pleasures, and that world would sink into crass materialism. Nothing is more absurd than this criticism. It is true that utilitarianism and liberalism postulate the attainment of the greatest possible productivity of labor as the first and most important goal of policy. But they in no way do this out of misunderstanding of the fact that human existence does not exhaust itself in material pleasures. They strive for welfare and for wealth not because they see the highest value in them but because they know that all higher and inner culture presuppose outward welfare." And so, Mises concludes, "The reproach of a materialistic way of thinking applies not to individualistic utilitarianism but to collectivistic imperialism."

When Mises finished *Nation, State, and Economy* in July 1919, the German hyperinflation of 1920–23 had barely begun. Average commodity prices in July 1919 were only a bit more than three times as high as in 1913. But Mises presents a masterly analysis of the inflation that had already taken place, and of the consequences of inflation at all times.

He remained throughout his life a critic of inflation. Its effect "is always to redistribute wealth and income in ways that distort incentives and production, create obvious injustice, and enkindle social discontent."

On the other hand, Keynes, the eloquent fulminator of 1919 against inflation, in effect proposed inflation as the great remedy for unemployment in his *General Theory.* True, he probably did not even recognize that it was inflation he was recommending. His proposal was merely that the government run a budget deficit and borrow, and the consequent increased purchasing power was to provide jobs. But if government borrowing and credit expansion must increase employment, the same reasoning must imply that repaying the debt and contracting the credit must correspondingly reduce it.

The irony is that the unstable and mercurial Keynes was widely hailed in his own lifetime as the greatest living economist, while Ludwig von Mises, who really deserved the title, labored for most of his life in comparative obscurity. Even now a true recognition of his contributions is confined to a small "Austrian" coterie. But it will grow.

Henry Hazlitt started his career in economic journalism in 1913 as a reporter for the Wall Street Journal. *After several intervening positions, in 1934 he joined the* New York Times, *where he wrote economic editorials. His column appeared in* Newsweek *from 1946 to 1966. Among his many books are* Economics in One Lesson *and* The Failure of the "New Economics."

Spare Us These High-Tech Utopias!

PREVIEWS AND PREMISES
By Alvin Toffler
New York: William Morrow. 1983. 230 pp. $11.95.

THE ROVING MIND
By Isaac Asimov
Buffalo, N.Y.: Prometheus Books. 1983.
350 pp. $17.95.

REVIEWED BY JEROME TUCCILLE

A few years ago I had a good deal of fun reviewing Alvin Toffler's *The Third Wave* for REASON (December 1980). Suffice it to say that I was not overly impressed by the book, finding it to be a tedious, pretentious, and pompous bore—a 544-page yawn, if you will.

The latest offering from Toffler, *Previews and Premises*, is a bit trickier to review, since it is not really a book by Toffler at all. The publisher has presented it as a book by Toffler for obvious reasons. Alvin Toffler is a best-selling author whose major books, *Future Shock* and *The Third Wave*, have sold millions of copies in dozens of languages around the world; so from a commercial standpoint, it is wiser to package *Previews and Premises* as a new work of Toffler's rather than as "a penetrating conversation" with Toffler, as its subtitle indicates. The book is really an extended interview with Toffler conducted by the South End Press, an avowedly leftist publishing group in Boston.

A book-length interview is a difficult project to accomplish successfully. After all, what we have here is nothing less than a 230-page *conversation.* Not only is it a Boston Marathon of a conversation, but it is not even an original dialogue unfolding fresh ideas.

In a prologue section attributed to the South End Press (why are leftists so reluctant to identify themselves individually?),

PHOTOGRAPH BY KURT MULLER

Isaac Asimov

PHOTOGRAPH BY SUSAN WOOD

Alvin Toffler

the interviewers give us their reason for conducting the interview in the first place. They are perplexed by Toffler's claim that the third-wave world we live in today renders all left-right political distinctions obsolete. According to Toffler, both capitalism and socialism are relics of the past and, in any event, were never all that different. Toffler admits that he "leans toward" free markets, but he is "not a pure marketeer," he says. He is neither a leftist nor a rightist, since such distinctions no longer have any validity.

In the end, however, he does favor some sort of reindustrialization plan, as advocated by so-called neoliberals such as New York investment banker Felix Rohatyn and economist Lester Thurow. Neoliberals, groping as they are for a coherent economic program to offer as an alternative to Reaganomics in the 1984 election, have advocated quasi-fascistic government subsidies for newly emerging high-tech industries; the old second-wave industries like steel and coal, they propose, should be allowed to fade into oblivion.

The interviewers promise that their dialogue with Toffler will be full of fireworks, since they are firmly committed to the "importance of left politics and struggle." In other words, they promise us at the outset a sparkling debate between old-guard leftists who still believe in class conflict and Marxist dialectics and a squishy-soft neoliberal who thinks a free market is okay as long as it isn't too free and is coaxed along by a new generation of third-wave technocrats.

The book might have worked if this, in fact, were the sort of interview we actually got. Toffler on the hot seat, being grilled by a coterie of second-wave lefties still clinging to their sweatshop political mentality, would have made for some sprightly dialogue. According to South End, Toffler agreed to do the interview because "the project gave him an opportunity to deal with certain questions that arise from the left, and which are seldom asked of him by the mainstream press in the West. Toffler wanted to consider and confront questions having to do with such issues as ownership, class, political authority, racism, sexism, and, as he sees it, the severe weakness of Marxism."

What self-serving drivel! As it turned out, the groupies from the South End Press were so delighted to have "gotten" Toffler to do the interview that they were apparently terrified of offending him and having him walk out midway through the project. Nowhere in these 200-odd pages of dialogue do they seriously challenge Toffler's ideas. The interviewers' role consists of asking him a series of innocuous, open-ended questions that serve as a springboard for Toffler to rehash most of the ideas he already covered in minute detail in *The Third Wave.* Nowhere along the line is there any semblance of intellectual confrontation.

The book is thus a wonderful forum for Toffler—an extended classroom lecture, more than anything else. It provides him with an opportunity to update his ideas a bit, but there is certainly nothing new or substantially different here. Anyone who managed to get through *The Third Wave* without gagging on the section titles and lapsing into a comatose state already knows more than he needs to know about Toffler's semi-utopian prescription for the future. This book is a watered-down restatement of his views presented in the tantalizing guise of a political debate. False advertising, wouldn't you say?

Like Alvin Toffler, Isaac Asimov treats of the relationship between politics and technology in a new book. But unlike Toffler's *Previews and Premises*, Asimov's *The Roving Mind* both informs and entertains.

Asimov is so prolific an author that he could probably start

his own book-of-the-month club offering monthly selections of his new titles. So I hesitate to call this his "latest" work, since there could be five others out before this review is printed.

In any event, *The Roving Mind* is a collection of 62 articles by Asimov, most of them previously published. The articles do indeed rove over a wide range of subjects, from attacks on the Moral Majority to his thoughts on population, pollution, extraterrestrials, Sherlock Holmes, neutron stars, black holes, cloning, computerization, and so on. You name it, and Asimov has an opinion on it. Most of the articles are well written—informative and entertaining both—and surprisingly brief for someone who has so much to say.

Asimov is at his best when he is attacking particular *bêtes noires* such as the theory of creationism, censorship, Jerry Falwell, and the Moral Majority in general, as well as when he is elaborating on a specific area of science. And he is at his worst when he enters the realm of politics and economics.

His best writing is sprinkled liberally with witty gems, sometimes several on a single page. For example, in a scathing attack on creationism, he serves up this illuminating paragraph: "There are many aspects of the universe that still can't be explained satisfactorily by science; but ignorance implies only ignorance that may some day be conquered. To surrender to ignorance and call it God has always been premature up to this time, and it remains premature today."

He is equally on target when castigating President Reagan for saying, in effect, that no one who disbelieves in God and an afterlife can possibly be trusted. He then develops this theme with a stimulating refutation of the notion that you have to believe in God in order to be good. At his best, Asimov is a pleasure to read; he is lucid, civilized, and above all a man committed to reason.

With all his rationalism, however, those who know the value of free markets and political liberty will find Asimov's thoughts on politics and economics downright frightening. It is exasperating that a man who can be so brilliantly rational in other areas turns out to be such a political and economic illiterate. In an essay on population, for instance, Asimov states categorically that a woman who voluntarily has more than two children is "committing a crime against humanity." He goes on to advocate a world government that should be empowered, among other things, to "ration" child birth.

One would not want to live in a world run by Asimov. He is a "liberal" autocrat, a high priest of science who would impose his own version of utopia on the rest of the world with the same fervor with which the Moral Majority would impose its own, given the opportunity. While we can enjoy Asimov when he is at his best, pricking the hides of authoritarian religious fanatics, he is an equally dangerous enemy of liberty with his quasi-religious scientific plan for the rest of us. He is more literate and entertaining than Jerry Falwell, but he is perhaps even more arrogant and self-righteous because of his intellectual superiority.

Asimov seems totally oblivious to economic principles in the third part of this book. He blames just about everything, including inflation, on overpopulation: too many people means too much demand and, hence, rising prices. He overlooks all the inflationary evils of big government, including the fact that we actually pay farmers not to produce food in this country. If too many people cause inflation and economic depression, why is Hong Kong, literally teeming with people, so prosperous while socialistic, underpopulated countries stagnate?

Asimov makes an eloquent case for getting government off the back of science. He believes in free, unregulated scientific research, unhampered by governmental restriction. *His* field he would decontrol, while imposing Draconian controls over just about everything else.

What arrogance! What a pity he didn't extend his case for freedom to the whole arena of economic and social relationships. Alas, when reading Asimov, it pays to be discriminating. The man is witty, and he's a charmer. *The Roving Mind* is chock-full of stimulating, well-stated ideas. It's just that some of the ideas happen to be dangerous.

Jerome Tuccille is the author of numerous books, including It Usually Begins with Ayn Rand, Inside the Underground Economy, *and* How to Profit from the Wall Street Mergers.

Agent of Evil

MODERN TIMES: THE WORLD FROM THE TWENTIES TO THE EIGHTIES

By Paul Johnson

New York: Harper & Row. 1983. 832 pp. $27.95.

REVIEWED BY RALPH RAICO

"What had gone wrong with humanity? Why had the promise of the nineteenth century been dashed? Why had the twentieth century turned into an age of horror or, as some would say, evil?" In *Modern Times*, an account of world history from the end of World War I to 1982, Paul Johnson seeks to answer these questions. A good deal of the answer provided by Johnson, a well-known and historically versed British journalist, is right on the mark. He identifies as "the century's most radical vice" what he terms "social engineering"—the attempt to use political power to effect widespread social change. "The great human scourge" of the time, he says, is "the professional politician." As the agent of the atrocities and miseries that have characterized these decades, Johnson everywhere, correctly, sees the state.

Even before Johnson's period begins, during the Great War of 1914–18, the awful devastation that states are capable of inflicting had become evident. Johnson follows other historians in identifying this war as the watershed of the century, but he informs his account, as is seldom done, with an understanding of the nature of governments:

> *The destructive capacity of the individual, however vicious, is small; of the state, however well-intentioned, almost limitless. . . . the war demonstrated both the impressive speed with which the modern state could expand itself and the inexhaustible appetite which it thereupon developed both for the destruction of its enemies and for the exercise of despotic power over its own citizens.*

Innumerable illustrations of this point follow in another 700 pages or so as Johnson looks at the Western democracies, the

Far East, the decolonized peoples, and above all Germany and Russia. Predictably, and properly, the Nazis and Communists come in for the greatest obloquy. Much of Johnson's recounting of modern history is very good, although much of it will probably be too familiar to be enjoyed by anyone who has read even a dozen books on the subject. And at crucial points the author's philosophical framework, pitting "moral absolutism" against "moral relativism," creates problems of which he appears to be unaware.

Johnson's treatment of the Bolsheviks' coming to power in Russia illustrates some of the merits and flaws of the book. In general his analysis is fine, although many readers, at this late date, will not need to be reminded in such detail of the crimes of the Soviet leaders. He points out the central role of the war in bringing Lenin and his associates to power (exemplifying a rule Johnson posits: "War breeds revolution"). The evaluation of Trotsky as "the most ferocious of the Bolsheviks" is refreshing and welcome. The author makes an important point in emphasizing the sheer economic ignorance of these revolutionary Marxists and the colossal suffering it caused.

Unfortunately, Johnson sometimes seems to think it necessary to blacken the names of communism and its leaders even more than the record quite amply warrants. He says the Soviets originated the modern practice of genocide: there is no entry in the index for *Armenians.* He claims that "modern theoretical anti-Semitism was a derivative of Marxism"—which is absurd—and that Marx took his concept of "alienation" from the German *Volk* (racist-nationalist) movement, when in fact he took it from the philosopher Ludwig Feuerbach. On a less theoretical level, in referring to Soviet peace-feelers to Hitler during the war, he concludes, "No doubt Stalin hoped to resurrect his 1925 strategy, pull out of the war, and re-enter later." The source cited here is Joachim C. Fest's *Hitler.* But when we turn to that book we find that Fest, instead, says: "To this day it has remained unclear how serious Moscow's intentions were." Really, there is no need to exaggerate the case against Stalin.

Johnson's discussion of the Great Depression, on the other hand, is excellent and out of the ordinary. Drawing heavily on the analysis of the Austrian School of economics, especially *America's Great Depression* by Murray Rothbard, Johnson ascribes the collapse to the political leaders who tried to bring prosperity through credit expansion. The dissection of the policies of Herbert Hoover could not be better; Hoover was an interventionist and "corporatist," a believer in "the notion that the state, business, the unions, and other Big Brothers should work together in gentle, but persistent and continuous manipulation to make life better." Roosevelt's policies were an intensification of Hoover's and just as ineffective. It took the war to cure the Depression.

When we come to international politics in the 1930s, Johnson's approach is a fairly conventional one. He shows little appreciation of the influence exerted by Anglo-French global imperialism on the designs of the "wolf-states," which, believing empires to be critically important to their economies, wanted to build their own. And there are crucial questions that Johnson fails to raise. For instance, he notes that the British, faced with the growth of German power, considered "making friends with Japan" but dropped the idea "because of implacable American hostility"; but Roosevelt's total embargo on trade with Japan in the summer of 1941 "brought the matter to a head." To what degree, then, must Washington share responsibility with Tokyo for the outbreak of the war? Johnson does not pose the question. Nor does he ask whether timely revisions of the Versailles Treaty conceded to democratic Germany would have made less likely the coming to power of Hitler, who proceeded to revise the treaty drastically on his own.

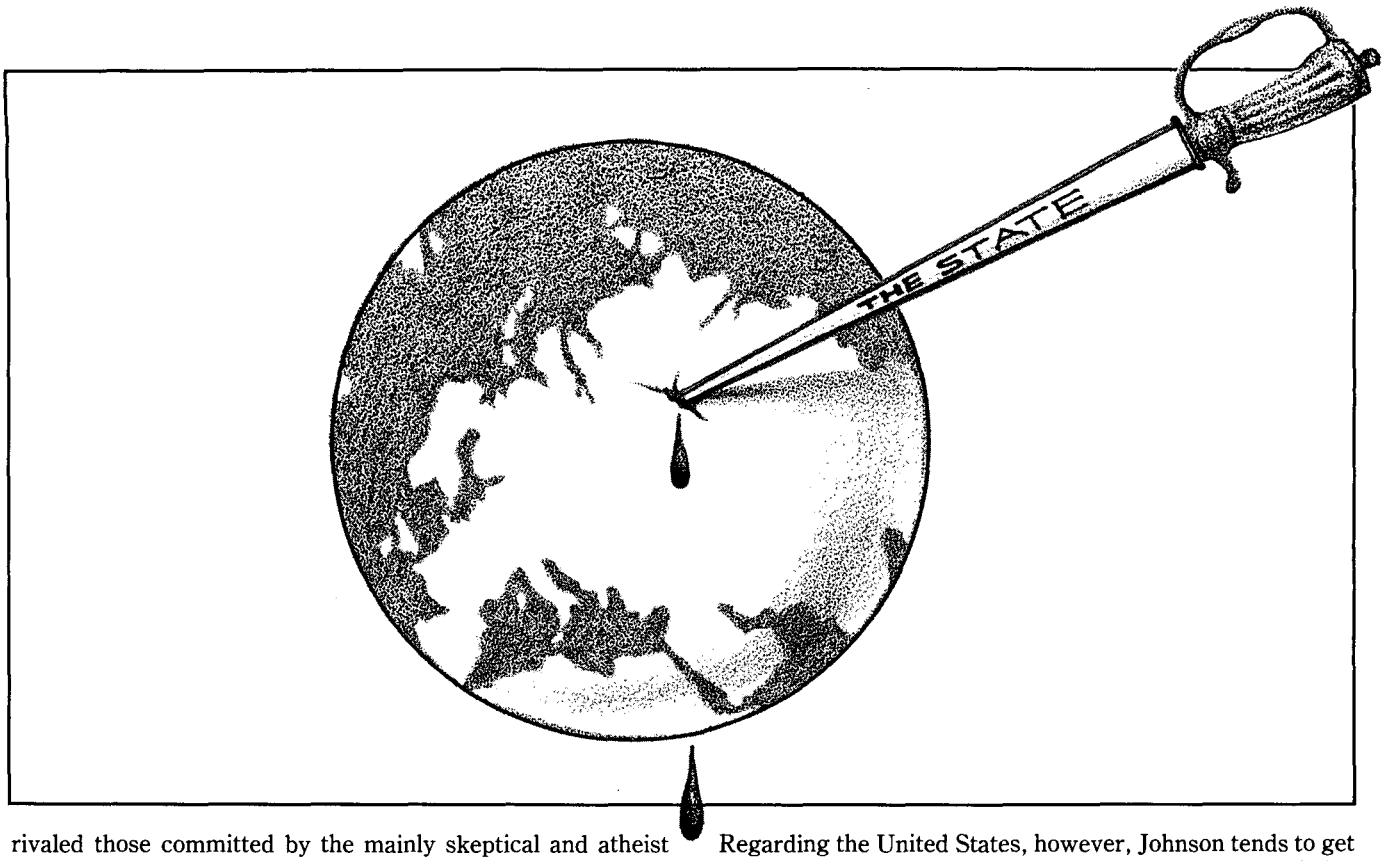
It is when we arrive at the period of World War II that Johnson's moral schema, mentioned earlier, becomes troublesome. He begins the book speaking of a great cultural change, from the 1920s on, when the belief began to circulate "for the first time at a popular level, that there were no longer any absolutes: of time and space, of good and evil, of knowledge, above all of value." Einstein (through widespread misunderstanding of his theory of relativity), Freud, and the Marxists, says Johnson, undermined "the highly developed sense of personal responsibility, and of duty towards a settled and objectively true moral code, which was the center of nineteenth century European civilization." (Oddly, there is no mention of the role of cultural anthropology in subverting the idea of universally valid mores.) Elsewhere Johnson speaks of "the Judaeo-Christian doctrine of personal accountability to an absolute moral code," and he frequently, almost ritualistically, invokes a dichotomy between absolute and relative standards of morality.

Since the key terms are nowhere defined, it is not at all clear what is being asserted here. Is it that when eras or individuals adhere to an "absolutist," Judaeo-Christian, morality we will not find atrocities frequently committed? But that is contradicted by many well-known actions of believers in that morality, including the Crusaders who took Jerusalem in 1099, the witch-hunters of early modern times, the monks of the Spanish Inquisition, the Duke of Alba in the Netherlands, and the perpetrators of the massacre of Saint Bartholomew's Day. In the 17th century, the Thirty Years' War, fought largely between Protestants and Catholics, resulted in the death of perhaps a quarter of Germany's population.

Johnson himself, in *Ireland: A Concise History from the Twelfth Century to the Present Day* (1980), provides another example. In 1649 Oliver Cromwell, the great Puritan general, landed in Ireland with 20,000 men and the goal of subduing the country and abolishing the hated Catholic Mass. He arrived there, Johnson reports, "in a mood of religious exaltation. Before embarking at Bristol he told his troops they were Israelites about to enter Canaan and extirpate its idolatrous inhabitants." At Drogheda and Wexford, the defending garrisons, as well as "many inhabitants," were simply put to the sword. Ireland was conquered and the English parliament, in 1652, passed an Act for the Settling of Ireland. According to Johnson, the Act provided that up to about 100,000 of the Irish were to be hanged. All the rest were to be driven from their homes and land—although, as Johnson adds, "parliament would assign lands elsewhere to some of these groups in due course." When the famous early statistician William Petty completed his land survey of Ireland in 1654, he found that, of a population in 1641 of close to 1.5 million, 616,000 had died and 100,000 had been transported to the New World, some as slaves. Johnson does not dispute these figures.

Johnson is correct in implying, in *Modern Times*, that European moral standards had changed for the better by the 19th century. The reasons would be difficult to demonstrate, but it seems highly likely that the spread of the Enlightenment and the rise of liberalism with its doctrine of individual rights were more responsible than the "absolutism" of Judaeo-Christian morality, which, after all, had been around for many centuries. By the 20th century, belief in individual rights had dimmed, and the way was cleared for the Moloch state.

Among other difficulties, Johnson's distinction between relative and absolute morality is not very helpful in explaining what occurred in the world in the 1930s and '40s. During the Spanish Civil War, as Johnson concedes, killings behind the lines by the forces of Franco, the devout Catholic,



rivaled those committed by the mainly skeptical and atheist Loyalists: after his victory, Franco had "some tens of thousands" shot, while "scores of thousands...died in prison or exile." It is hard to see how Freud or Marx (let alone Einstein) could be blamed for this bloodbath.

Johnson is commendably harsh on the British terror-bombing of German cities, especially the destruction of Dresden. "We see here the corruptive policy of moral relativism at work....[The bombing was justified by] the old utilitarian theory of morals, as opposed to natural law theory which rules that the direct destruction of war-waging capacity was the only legitimate manner of conducting combat." But when it comes to the atom bombings of 1945, there is no condemnation, but rather approval, and in these startling terms: "The evidence does not suggest that the surrender could have been obtained without the A-bombs being used....The use of nuclear weapons thus saved Japanese, as well as Allied, lives."

This is, however, historically inaccurate. Instead of massacring so many Japanese civilians, the American leaders could have modified their "crazy" demand for unconditional surrender, including the prospect of trial and execution of the emperor, as Assistant Secretary of State Joseph C. Grew and others suggested they do at the time. (Finally, of course, the Japanese were permitted to keep the emperor and the dynasty.) Even admitting Johnson's historical case, what is he doing here except using a purely utilitarian argument—about the net saving of human lives—to justify the mass killing of civilians?

Nonetheless, as Johnson advances through the 1960s and '70s, many of his judgments are infused with a high moral sensibility. He is not one of those calloused to the horror of other great crimes by the Nazis' mass murder of Jews and others and the Soviets' Gulag. Johnson says of the killings that accompanied the seizure of power by Suharto, the present leader of Indonesia and an American ally: "It was one of the great systematic slaughters of the twentieth century, the age of slaughter. The toll may have been as high as one million, though the consensus of authorities puts it in the region of 200,000 or 250,000." His treatment of the brutal racist regime of South Africa, and of the great Middle Eastern social engineer, the shah (another American ally), is excellent.

Regarding the United States, however, Johnson tends to get testier and more typically right-wing as he goes on. He holds the military-industrial complex to be largely "mythic" and puts *imperial presidency* in ironic quotes. Richard Nixon is said to have been the victim of a left-wing media plot to undo the results of the 1972 election. "Watergate hysteria" is supposed to have caused his downfall: other presidents have done as bad and worse. Of course they have. But the fact remains that Nixon was an unindicted coconspirator in a felony case involving obstruction of justice. What happens here to Johnson's righteous insistence on standards of "absolute morality"?

On Vietnam, Johnson is simply astonishing. It isn't that he doesn't succeed in explaining what the United States was doing there at all—no one else has, either. But he complains that the US air war was too restricted, that Lyndon Johnson was "paralysed by moral restraint." Since Americans—and, evidently, well-known British journalists—simply have no idea of what the American air war involved, let us pause a moment to consider. Johnson thought the British terror-bombing of Dresden was an atrocity; This is how the historian Stephen Ambrose, in his *Rise to Globalism*, describes the continuing bombing of Vietnam:

> *The statistics boggled the mind. First the headlines proclaimed that America had dropped more bombs on tiny Vietnam than in the entire Pacific theater in World War II. By 1967 it was more bombs than in the European theater. Then more than in the whole of World War II. Finally, by 1970, more bombs had been dropped on Vietnam than on all targets in the whole of human history.*

One could take issue with the author's judgment on a number of other issues. As for factual errors, there are some, perhaps inevitably, but they are negligible among so many thousands of facts. The occasional contradictions are more disturbing. The philosophizing in *Modern Times* is, as I have tried to show, badly flawed. But this high-spirited and provocative work has the merit of placing the state right where it belongs: at the very center of the great tragedies of our century.

Ralph Raico is an associate professor of history at the State University of New York College at Buffalo and senior editor of Inquiry *magazine.*

Liberating Electronics

TECHNOLOGIES OF FREEDOM

By Ithiel de Sola Pool

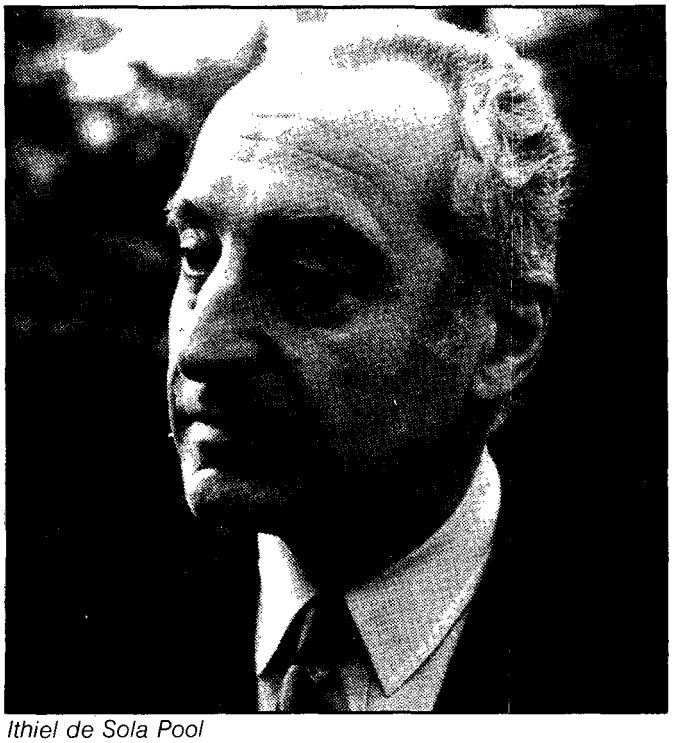
Cambridge, Mass.: Belknap Press. 1983.
291 pp. $20.00.

REVIEWED BY CRAIG SMITH

I recognized Ithiel de Sola Pool as an insightful scholar on the subject of freedom in a technological society when he testified in 1982 at hearings on freedom of expression held by Sen. Robert Packwood's (R-Ore.) Committee on Commerce, Science and Transportation. Pool made clear then what he reaffirms in his new, tightly written and well-documented book: freedom is a great friend of technological advance; regulation is its enemy.

Pool, a well-known political scientist at the Massachusetts Institute of Technology, also realizes that technology often presents a challenge to freedom. The temptation of lawmakers is to overreact to that challenge. For example, when television was in its infancy in the mid-1930s and Congress was in a regulatory mood, the Communications Act of 1934 was passed. It imposed restrictions not only on the technological development of the new product but also on its editorial content.

When the First Amendment was adopted in 1791, there were only a handful of newspapers in the United States. Yet the Founding Fathers considered freedom of expression so important to political liberty that they refused to pass any laws abridging freedom of the press. Despite that precedent, New Deal legislators hemmed in a new technology that had the capacity to expand opportunities for expression. The basic structure of that regulation—and certainly the presumption that it is warranted—stands today despite the proliferation of television stations, networks, and cable television systems.



Ithiel de Sola Pool

In one chilling section, Pool talks about the "growth of censorship." He begins with an example from 1921 in which an engineer could "cut off speakers in mid-sentence" in a radio broadcast, an event that actually occurred on several occasions. He completes his examination with the implications of court-sanctioned regulation over radio and television.

As Pool notes, court decisions on freedom of expression have been marked by contradictions. For example, in the 1974 *Miami Herald* case, the Supreme Court protected the print media anew but in 1969, in the *Red Lion* broadcasting case, upheld restrictions on the electronic media. Pool's quick review of the suppression of freedom in the past and his detailed analysis of the regulation of electronic communication in this century make a compelling historical argument for complete deregulation of the broadcast industry.

But Pool doesn't stop there. He shows us what can happen if current regulations are left in place. The picture is an ugly one whether viewed from the perspective of economic development or of civil liberties. For example, he shows that "authorities everywhere have made the installation or expansion of cable television either illegal or difficult." He dwells on the restrictions placed on cable partly because cable could potentially provide so much useful information to voters and consumers. To restrict cable is to curtail videotext information services valuable to electoral decisionmaking, as well as to curtail such services as telebanking and teleshopping. (Pool's comments would serve as a useful guide to members of Congress now considering cable deregulation.)

Pool's research into the nuances of cable television development and electronic print are original, thorough, and insightful. My bet is that even the informed reader will find new material. The discussion is as current as possible in a time marked by monthly revolutions in electronic technology and regulation. For example, Pool looks to the future to examine possible telephone technology. His presentation regarding the use of fiber optics and an "integrated digital network" makes for fascinating reading. Cellular radio and microwave broadcasts are also discussed, though in less detail. Pool even considers the possibility of cultivated cellulose replacing trees as a source of paper for the print media.

Much of the force of Pool's case for the link between communications technology and freedom comes from his judicious use of startling evidence: "In advanced societies about half of the work force are information processors," he writes. I checked his sources for this flat assertion, and they include an impressive nine-volume study buttressed with another by the Organization for Economic Development.

Pool is also credible because he understands the interrelated nature of the problems he is studying. If Congress is to regulate broadcast content, is it to regulate teletext and videotext? If I publish a newspaper and allow a local cable system to broadcast the text, including editorials and political endorsements, is the text then subject to content regulations? Is *USA Today* subject to regulation because it is "broadcast" to "stations" throughout the nation for printing? Why can't telephone companies lay the wire for cable television, particularly when they can do it for less money than cable system owners, and also can provide higher-quality cable capable of serving new computer needs?

Technologies of Freedom should be read by all who believe we are on the threshold of a new era, an era where electronic technology will provide undreamed-of services, where diversity and "narrow casting" may resegregate minorities, an era in which legislative reform will be essential if society is going to cope with these new technologies. According to Pool, deregulation of communications technology will unequivocally stimulate technological advance. How those advances will influence social relationships is less predictable. Perhaps the result will be a new independence in which each household becomes more self-sufficient, served by word processors, entertainment centers, teleshoppers, and the like. Whether the predominant effect of this will be isolating or liberating remains to be seen.

Pool's ability to see both the economic and political implications of the new technology serves his readership well. His review of the court cases surrounding the issues is complete and balanced. It is also well documented for the reader who wishes to pursue any of the cases further. And his final summation, replete with recommendations, is satisfying as well as sane.

Craig Smith is president of the Freedom of Expression Foundation in Washington, D.C., and has written numerous articles, as well as several books, on communication.

The Road to Conservative Serfdom

STATECRAFT AS SOULCRAFT: WHAT GOVERNMENT DOES

By George F. Will

New York: Simon & Schuster. 1983. 186 pp. $14.50.

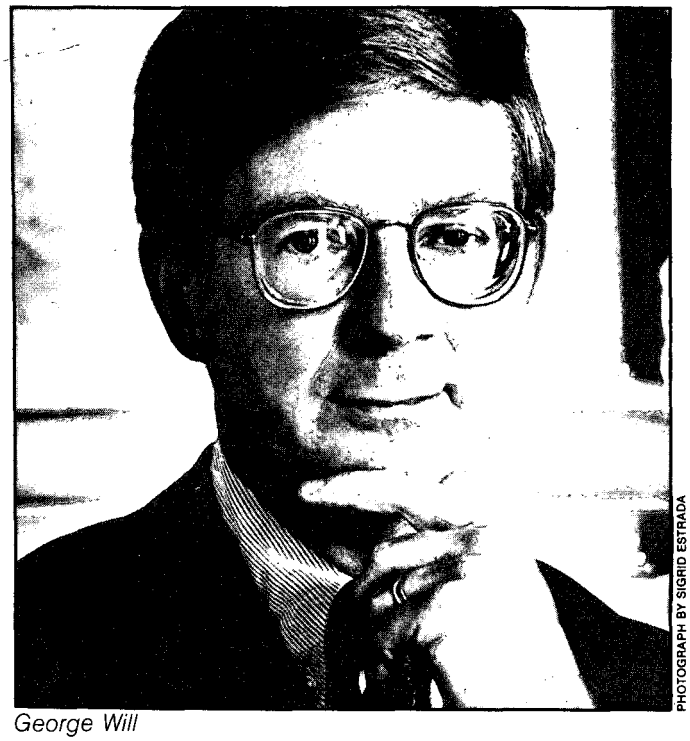
REVIEWED BY DOUGLAS B. RASMUSSEN

In *Statecraft as Soulcraft: What Government Does*, conservative columnist George Will seeks to challenge the foundations of liberalism. Whether it be classical liberalism (sometimes today called libertarianism) or social-democratic liberalism (generally thought to be inaugurated in the United States by Franklin D. Roosevelt), liberalism, Will claims, rests on an errant philosophic premise and political impulse: that human nature does not constitute a norm, or standard, by which reason can guide the passions and that the political problem is how best to control human passion. Instead of *reforming* human desires, liberal politics seeks to *accommodate* the satisfaction of such desires and to direct the process along socially useful or minimally harmful channels. "The premise of modern politics is reason in the service of passion." Thoroughly rejecting this view of human nature and politics, Will seeks to replace it with a truly conservative view.

There is for Will only one "first question" of government: "What kind of people do we want our citizens to be?" Ethics and politics are welded together, he maintains; liberal theorists have attempted to separate them, but such attempts are inherently futile. Government necessarily legislates morality—by enacting laws, it not only proscribes and prescribes human behavior; it affects in numerous ways the habits, dispositions, and values of the citizenry. So the idea that government cannot and should not become involved in the so-called inner or private life of its citizens is radically wrong. The essence of government is not coercion, but authority, and its task is to use its authority in ways that will help to develop human excellence.

Man is, after all, a social and political animal, notes Will, not some isolated individual who begins life in some state of nature. Hence, he argues, "reflection about how the individual should live is inseparable from reflection about the nature of the good society." Moreover, the effects of one's actions are not easily confined. "Society is like a Calder mobile. Touch it here, it trembles over there." Thus, Will believes that statecraft is, by its very nature, soulcraft. It follows, then, that the basic problem with current political philosophy—be it "Manchester or Massachusetts liberalism"—is its failure to recognize the state's true function: developing good human beings.

What is the nature of this goodness? Beyond saying that human virtue involves good citizenship—which Will characterizes as "moderation, social sympathy, and a willingness to sacrifice private desires for public ends"—he says little about the nature of human excellence. He is, however, quite sure that the ethos of a commercial civilization is hazardous to the individual's moral health. He worries about what will happen when "the ethics of a commercial civilization—the relentless manufacturing of appetites and the incitement to gratify them



PHOTOGRAPH BY SIGRID ESTRADA

George Will

on credit—undermines self-restraint in political and economic behavior." How long will both democracy and capitalism last if government does not encourage those "moral prerequisites" that enable democracy and capitalism to work?

Thrift, industry, good citizenship, and family life seem to be the sorts of things that Will would have the government promote. Education is also an important factor in creating a society that can maintain itself, and tax credits to offset tuition payments to private schools count as a "subsidy" that Will would support. Education is, however, not limited to the schools; Will considers law an instrument of education. Accordingly, he advocates restrictions on abortion, pornography, and sexual permissiveness in order to elevate moral sensibilities. He argues for restraints on the marketplace for the sake of the common good, imposition of military conscription in the name of civic duty, and maintenance of a welfare state as an indication of social concern. These are the "lessons" that would "teach" people that not all their wants can or should be satisfied. "Proper conservatism," Will claims, "holds that men and women are biological facts, but that ladies and gentlemen fit for self-government are social artifacts, creations of the law."

Will is aware that his conservative counterattack involving law and culture might be dismissed as a gross example of the failure to distinguish between the question "How should man live?" and the question "What behavior should be mandatory?" No reasonable society, he concedes, would want to erase this distinction. His reply is that "it is impossible to stipulate *a priori* limits to the sweep of the law in matters of morality. Such limits must be set by prudential, not theoretical reasoning." Yet, he is quick to assure, "this does not mean that policy shall be unprincipled. It means that principles must be derived from a sense of national purpose and from evidence as to how law can contribute to the fulfillment of those purposes." So where is the line to be drawn to hold back "the sweep of the law in matters of morality"? "I do not know," Will answers. He admits that drawing lines without a limiting principle is dangerous. But, quoting Woodrow Wilson, he counters that if we are to have representative government, "somebody must be trusted."

Trusting politicians will, however, not do. Without a clearly understood basis for distinguishing between what ought to be (moral standards) and what must be (political standards), appealing to a sense of "national purpose" will not provide any principles for government policy. Instead, government policy will be up for grabs. Interest groups from both "left" and "right" will seek to determine policy through various forms of pressure; or, and this is usually worse, the politicians will every now and then "get religion" and seek to force some moral principle, legitimate or not, down the electorate's throats. Principle will be the last thing to guide government policy.

On a more fundamental level, Will cannot get away with the assertion that setting an a priori limit is involved in distinguishing between what ought to be and what must be. The natural right to liberty is a principle that limits which matters of morality can be made mandatory, because liberty is the essential political precondition for the exercise of morality. But since this right is a *natural* right and thus has a basis in human nature, it is not a priori.

Will fails to consider the possibility of a political philosophy that does regard human nature as constituting a standard of conduct and does consider reason capable of guiding passions toward the attainment of that end—but also holds liberty as the most important political value, as that value above all others that government exists to preserve and protect. On the grounds that liberty plays an intimate and vital role in the process of self-actualization, such a political philosophy regards liberty as the fundamental precondition of a person's life having any possibility of being morally a *good* one.

Will does not consider this possibility because he never really bothers to examine the nature of human excellence. For all his talk of human potential and the importance of establishing habits and dispositions that will lead to fulfillment as a human being, Will never grasps a point made by Aristotle—that individuals cannot be what they ought to be without doing so by their own deliberate choice and in light of their own understanding. Particular individuals may, of course, fail to exercise the choice to be what they ought to be, or their understanding of what they ought to be may be flawed. Yet, human fulfillment is impossible if individuals are not the source of their own actions, if their actions are forced upon them by others.

Will believes that if the state can change erroneous moral beliefs by compelling behavior, then coercion has a pedagogical function and thus a real use in the promotion of human excellence. But Will fails to see that such a change of moral beliefs would not be a change for which the person would be responsible, since it would be the result of compulsion. It would, therefore, not be *self*-perfecting. As Ayn Rand once noted: "An attempt to achieve the good by force is like an attempt to provide a man with a picture gallery at the price of cutting out his eyes."

Neither does Will consider the possibility that the free market ("commercial civilization") tends to *promote* some of the virtues whose lack he mourns. Productive work is not only the means by which man secures sustenance; it is also an exercise of his potential, a potential that can be realized only by the fullest use of his mind. Freedom to act in accordance with one's judgment in matters of productive work and exchange is an essential feature of the free market. To function well in a free economy, individuals need not only to know their own values but also to learn to rank them and act accordingly. The free market provides an incentive for individuals to take responsibility for their lives—to determine their own careers, produce whatever is their unique talent to produce, and use these to fashion a human-fulfilling life. In short, the pursuit of "economic" well-being is not *merely* the gratification of desire. It is also, quite often, self-actualizing.

Two final points: (1) Will claims that "it is a *non sequitur* to say that because the state has a monopoly on legitimate coercion, its essence is coercion, actual or latent. . . . Proper conservatism teaches that it is authority." This is inexact. The state's essence does involve authority (assuming that it is duly constituted and has the function of protecting rights), but what differentiates its authority from other forms is precisely its possession of a legal monopoly on the use of physical force. The state's essence is not simply coercion, but neither is it simply authority. (2) Will claims that he wants to develop community. Indeed, his position has been described as "communitarian conservatism." Humans do not work in isolation; they also work in human groups. Will does not, however, consider the consequences of coercion for human groups. Human groups exist only if their members judge that common action is needed to attain an end and only if they mutually decide to pursue that end. Coercion is the very thing that will destroy the unity that undergirds human groups. Will's program for the state will not, ultimately, produce community. It will, however, produce fascism.

Douglas B. Rasmussen is an assistant professor of philosophy at St. John's University in New York. He is a coeditor of The Philosophic Thought of Ayn Rand, *to be published soon by the University of Illinois Press.*

Paper Tiger or Iron Bear?

INSIDE THE SOVIET ARMY

By Viktor Suvorov

New York: Macmillan. 1982. 296 pp. $15.95.

THE THREAT: INSIDE THE SOVIET MILITARY MACHINE

By Andrew Cockburn

New York: Random House. 1983. 338 pp. $16.95

REVIEWED BY JOHN COLLINS

Most appraisals of Soviet military power manipulate information and substitute assumptions for missing facts to create preferred impressions. Some even fabricate evidence to fill in blank spots. Policymakers therefore do well to sample products across the opinion spectrum before they shape plans. Laymen should do likewise before they promise support.

Viktor Suvorov and Andrew Cockburn provide vastly different viewpoints on the Soviet military. Both have written books that should be stamped on the cover "HANDLE WITH CARE"—Cockburn because his bias is obvious, Suvorov because his credibility on some subjects is suspect.

British Gen. Sir John Hackett (author of *The Third World War* novels) introduces Suvorov as a "young, highly trained professional," with 15 years of regular service in the Soviet army before defecting to the West. Suvorov commanded a motor rifle company when Soviet forces subdued Czech rebels in 1968, later studied three years at the prestigious Frunze Academy, and finally served as a junior officer on the General Staff.

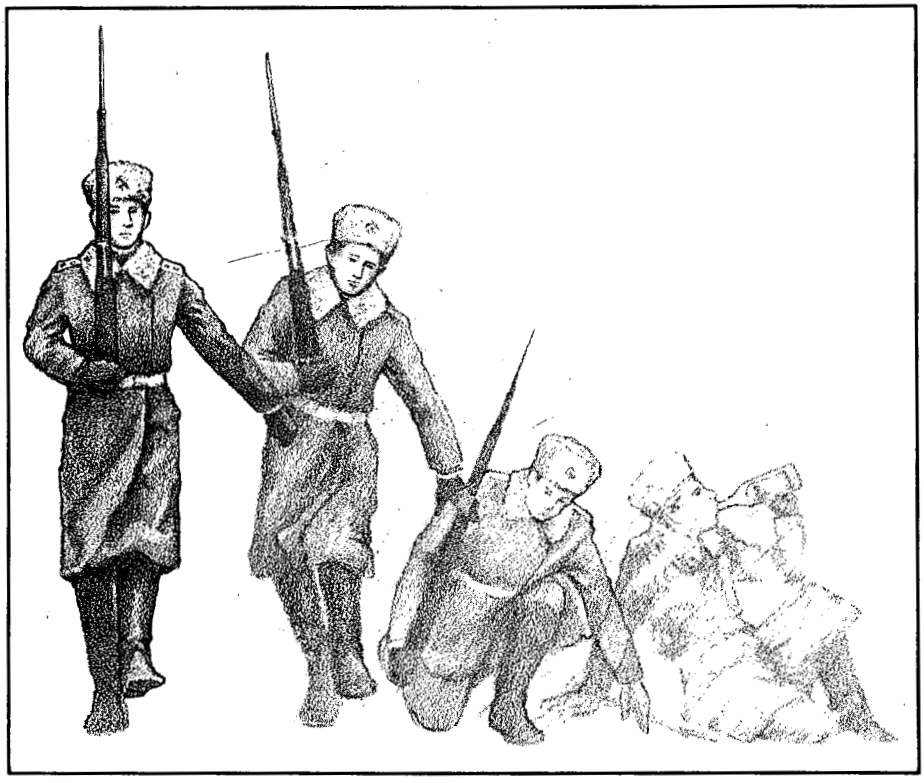
That background qualifies him to write about "The Soldier's Life" and "The Officer's Role" (titles of two chapters), ground force structure, tactics, equipment, deployment patterns, mobilization procedures, military education, and training. It also provides him with a good grasp of tactical aviation support for the Red Army. Though Suvorov concedes that important deficiencies exist within the Soviet military, he also underscores its great strengths.

Some of his tales about the Red Army supplement, but are consistent with, data already in the public domain. He has fascinating explanations for offbeat weapon calibers, Soviet preference for smooth-bore mortars instead of rifled models, and predilections for towed antitank guns, rather than self-propelled ones.

Doubts, however, begin to appear when corroboration is absent and Suvorov wanders far afield. Should we believe, for example, that Soviet forces in Central Europe lag several years behind the Baltic, Belorussian, Carpathian, Trans-Baykal, and Far Eastern military districts in receiving modern accoutrements? Could the Soviets really activate 150 divisions (one and a half million men) in 24 hours, equipping reservists with used equipment removed from "mothballs" after a decade or more? Implications for US defense policy are immense. Suvorov's statements appear plausible, but would super-secretive superiors allow a lowly captain access to such data? They normally keep information in many separate compartments and define "need to know" very narrowly.

Doubts double when Suvorov relates diversified Soviet ICBMs (intercontinental ballistic missiles) to the commercial availability of US components, which allegedly determine the technological characteristics of Soviet ICBMs and limit production of several types. Qualms increase by orders of magnitude when he advises that some Soviet missiles are armed with radioactive waste from nuclear power plants, because there are not enough warheads to go around.

All assertions conceivably could be true—if Suvorov's security clearance allowed him access to high-level classified files, if phony credentials conceal his real identity as a senior officer, if he is a "front" for someone with first-hand knowledge, or if he is feeding back facts picked up incidentally from British intelligence during protracted interrogation when he defected. Conversely, important "revelations" could be false—if he has stretched facts to make a fast buck or is a Soviet plant who duped his sponsors and is spreading disinformation.



There is no question about the inclination of Andrew Cockburn, the journalist who has written on defense issues for publications ranging from the *New York Times* to *Defense Week*. The first clue to Cockburn's bias is a quotation that precedes the table of contents: "Welcome to the world of

strategic analysis, where we program weapons that don't work to meet threats that don't exist." Sixteen chapters then summarize Soviet shortcomings across the military spectrum, culminating with the comment that calculated deception efforts emanating from Moscow "over the past thirty years [have] not been concealing a real and hidden strength but the fact that that strength has not been there." Ever-larger budgets that buy smaller quantities of complex weapons will reduce—not increase—Soviet capabilities, in Cockburn's view.

His treatise should inspire healthy skepticism in anyone who sees an invincible Soviet military machine devoid of serious defects. The manpower pool is far from perfect. Many recruits are poorly motivated (Suvorov supports that view). Cultural discontinuities complicate training, particularly among recruits who can neither read nor write Russian. They also complicate operations—Moscow admits it was a mistake to commit Muslim troops in Afghanistan. Few weapons are free from flaws (Cockburn reserves rare praise for the original Kalashnikov AK-47 assault rifle and MIG-21 fighter aircraft). Bureaucratic obstacles to effective performance are prodigious. The list of liabilities is almost endless.

Nevertheless, this entirely negative assessment merely inverts conservative evaluations of Soviet military power, which cause Cockburn so much heartburn. He underrates Soviet strengths (when he reviews them at all) and overrates many Soviet weaknesses. He derides US foreign affairs and defense decisionmakers who are "blind to the consequences of a drunken and half-trained conscript army, a high command riven with political intrigue, progressively less useful weapons systems, and a society more vulnerable than most even to a limited nuclear onslaught." But Cockburn is equally blind if he believes that his pejorative, lop-sided presentation will change many minds in the Pentagon, Foggy Bottom, or the informed public. His analysis is too much like appraisals that "prove" democracy won't work, bumblebees can't fly, and smog makes life impossible in Los Angeles.

Beyond that, the book contains easily refutable factual errors. "If anything," he says, "the Soviets have been building down rather than up." Objective surveys of Soviet military statistics, however, indicate a substantial buildup since 1960 (fewer than 50 ICBMs then, 1,398 now; 160 major naval surface combatants then, 281 now; and so on). Most quantitative reductions reflect alternative means (fewer interceptor aircraft, more surface-to-air missiles), qualitative improvements that allow lower force levels (attack submarines and airlift are illustrative), or both.

Inconsistencies also undercut Cockburn's case. He pans diesel-powered submarines at one point, for example, but applauds them later.

Most important, the Soviet threat that Cockburn belittles still looms large on his own canvas, because he paints an incompetent American military establishment whose image, if correctly portrayed, would inspire little respect in Moscow. His assurances might have been more convincing if they depicted strong US forces facing weak Soviet rivals.

Neither book, in short, tells the truth, the whole truth, and nothing but the truth. Even so, both are useful additions to literature dealing with Soviet armed services, as long as readers realize that each volume has extensive limitations.

John Collins is the senior specialist in national defense at the Library of Congress.

Economic Elixir

THE NEXT AMERICAN FRONTIER

By Robert B. Reich

New York: Times Books. 1983. 324 pp. $16.60.

REVIEWED BY RICHARD W. WILCKE

During the Carter administration, Robert Reich was director of policy planning for the Federal Trade Commission. In those days, his opinions on economic policy ended up in the kinds of standardized reports and US Government Printing Office publications that line the office bookshelves of every member of Congress but that practically no one anywhere ever reads. He was a faceless bureaucrat with limited influence—and the nation was better off.

Today, Reich is a professor at the Kennedy School of Government at Harvard University. His latest book, *The Next American Frontier*, was excerpted in the *Atlantic* in advance of its publication this year and has been widely reported and reviewed, usually favorably, in mainstream newspapers and magazines. Democratic presidential hopefuls, especially Walter Mondale, Gary Hart, and Ernest Hollings, have warmly praised his proposals and arguments for government intervention. Reich himself, no longer faceless, is active on the speaking and public-appearance circuit as a leading proponent of a "national industrial policy."

This is free enterprise and the competition of ideas in action, and for that reason, but *only* for that reason, one cannot be too displeased by Reich's career ascendancy. After all, if an average academic with ignoble and unworkable ideas can achieve success and influence, there's also hope for those making the case for individual rights, world peace, human freedom, and economic prosperity. As long as a free market in ideas exists, so does the potential for advancing truth.

To give Reich his due, he is more than a "public policy entrepreneur...possibly hunting for future employment in the government," as Robert Samuelson characterized him in *Harper's*. Not that he *isn't* that; it's just that he is also a capable writer with a good feel for public-policy analysis. Though countless writers in Washington on congressional committee staffs or in other jobs could have written this book, that should not diminish Reich's achievement. He found a market niche and filled it, and market advocates have to give him that.

The fact of the matter is, Reich does have some interesting things to say. Unfortunately for his readers, he doesn't have enough for a whole book. One might say that he "crammed" a mildly interesting 30-page essay or pamphlet into 300 pages. Not only is it difficult and time-consuming to ferret out his useful thoughts when spread so thinly over so many pages, but the filler he put in-between is pure nonsense. Indeed, it's *so* bad that one wonders whether the good stuff was intentional or accidental. While his analysis is fairly good, his social-justice ideas and policy recommendations are downright embarrassing to anyone who qualifies as an intellectual.

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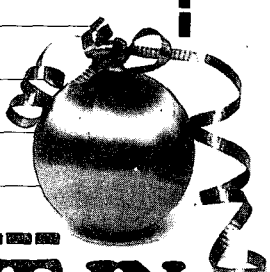


THE GIFT THAT DOESN'T GIVE IN

The worthwhile parts of Reich's book include his discussion of the problems wrought by increased international competition, the reluctance of American corporations to embrace economic change, and the problems created by past government policies aimed at helping certain industries. These segments provide little new analysis, and most has been said before just as well; but some points are interesting, and sound analysis is always welcome. Without the filler, these segments would have made a useful little pamphlet.

Reich's book falls apart, however, when he begins suggesting ways for the United States (meaning the federal government) to "solve" the problems cited. For example, he correctly identifies as a problem the fact that past interventions have been politicized to the point of helping only old and established firms—and what they do with the help is forestall change. His "new" solution is to institute more government aid programs, but with some kind of promise or contractual commitment from recipient industries and firms that they will try to change. Applied to a situation in which welfare recipients are living off their government checks instead of getting jobs, this solution is akin to giving the recipients more and larger checks but asking them to try harder to get jobs if they can.

Reich recognizes the natural reluctance of corporations to change their methods and the cravings of corporate executives and owners for stability. He tells why much postwar government policy has focused on protecting people and industries from change, clearly at a cost to international competitiveness and economic growth potential. And as a professed humanitarian, Reich understands the need for security and stability. Simultaneously wanting competitiveness, growth, security, and stability, he vaguely espouses public policies that promote economic adjustment while maintaining jobs and preventing bankruptcies. How's that for an innovative approach?

PHOTOGRAPH BY CHRISTOPHER MORROW

Robert Reich

Throughout the book, Reich mixes his analysis of real, bona fide problems (most of them caused by previous interventions) with a call for solutions that are mindful of "social justice." He boldly asserts that the choice between central planning and free markets is a "false choice." Instead, he advocates a mixed economy as if it were a new idea. What we need in America, he says, is "an economics that reaffirms our political life together and a politics that promotes our mutual prosperity. . . . A social organization premised on equity, security, and participation will generate greater productivity than one premised on greed and fear."

Harvard or not, Robert Reich is a lightweight. He understands, as the old saying goes, just enough to make him dangerous. He is not an economist, but having worked in Washington, he knows the language and the basic interplay of various special-interest groups. It's clear that he's never read the outstanding scholars in the field in which he's writing, many of whom demonstrated the futility of his federal interventionist approach long ago. He is like a summer intern who spends two months working on a special project and then believes that he knows more about this topic than anyone else. Reich doesn't even know what he doesn't know—but then, since when did ignorance ever keep anyone out of Harvard or the FTC?

Once, some years ago, television personality Tom Snyder was asked if he had an explanation for the popularity of his late-night interview program. Snyder is reputed to have answered in all seriousness that "It's simply because I think and talk good in front of a camera, and always have." It's easy to imagine a similarly immodest explanation from Reich for the success of his book. He might say, "It's simply because I understand political economics better than those who have studied it, and I always have." One cannot read him or hear him without seeing that he seems to believe that about himself.

Reich's book is to economic policy what sensational ads in cheap newsweekly papers are to diets and nutrition. These ads promise that overweight readers can continue to overeat and lose weight at the same time. They don't work, but people keep ordering their wares because the idea is so appealing that people *want* to believe it. Likewise, the notion that government can allocate resources in a compassionate and "socially just" way and not interfere with economic growth and prosperity is just as impossible. Reich is selling an elixir, a government policy that is all benefit, no cost; all gains, no pains.

In the final analysis, as Austrian School economist Ludwig von Mises pointed out decades ago, the policy choice is straightforward. "Either the consumers' demand as manifested on the market decides for what purposes and how the factors of production should be employed, or the government takes care of these matters. There is nothing that could mitigate the opposition between these two contradictory principles. They preclude each other." Reich's contention that "the U.S. economy is grinding to a slow, painful halt" does not justify more intervention. There is no golden mean. As his own book implies, intervention is nothing more than a policy of socialism by steps. The past has proven it, and the present reaffirms it. Reich's brand of corporatism should not be embraced for our future.

Richard Wilcke is president of the Council for a Competitive Economy in Washington, D.C.

Doublethinking Our Way to 1984

BY VIRGINIA MULLER

George Orwell's *Nineteen Eighty-Four* is widely regarded as a piece of political prophecy. Since the novel was published in 1949, the terms *Orwellian* and *Big Brother* and the date 1984 have become household terms evoking images of a nightmarish totalitarian state whose guardians ruthlessly suppress the least expression of individuality and cynically operate on the principle that power is to be pursued for its own sake. Not surprisingly, with the real 1984 just around the corner, there have appeared in the past year a good many discussions of Orwell's famous work.

While *Nineteen Eighty-Four*'s totalitarianism is not the rule in the West, many of Orwell's predictions, especially about the development of technological devices that pose a potential threat to personal privacy and international peace, are amazingly accurate. In recent decades, advances in both surveillance and weaponry have surpassed even Orwell's forecasts. Certainly, impersonal bureaucratic structures have become the organizational model for our times. The computer revolution has brought us to the age of information management, while centralization in the media industry limits diversity of opinion and political debate on public issues. And Orwell's vision of global politics—ever-shifting alliances among three superpowers locked in nuclear stalemate and engaged in continuous war for limited aims in faraway places—seems more plausible every year.

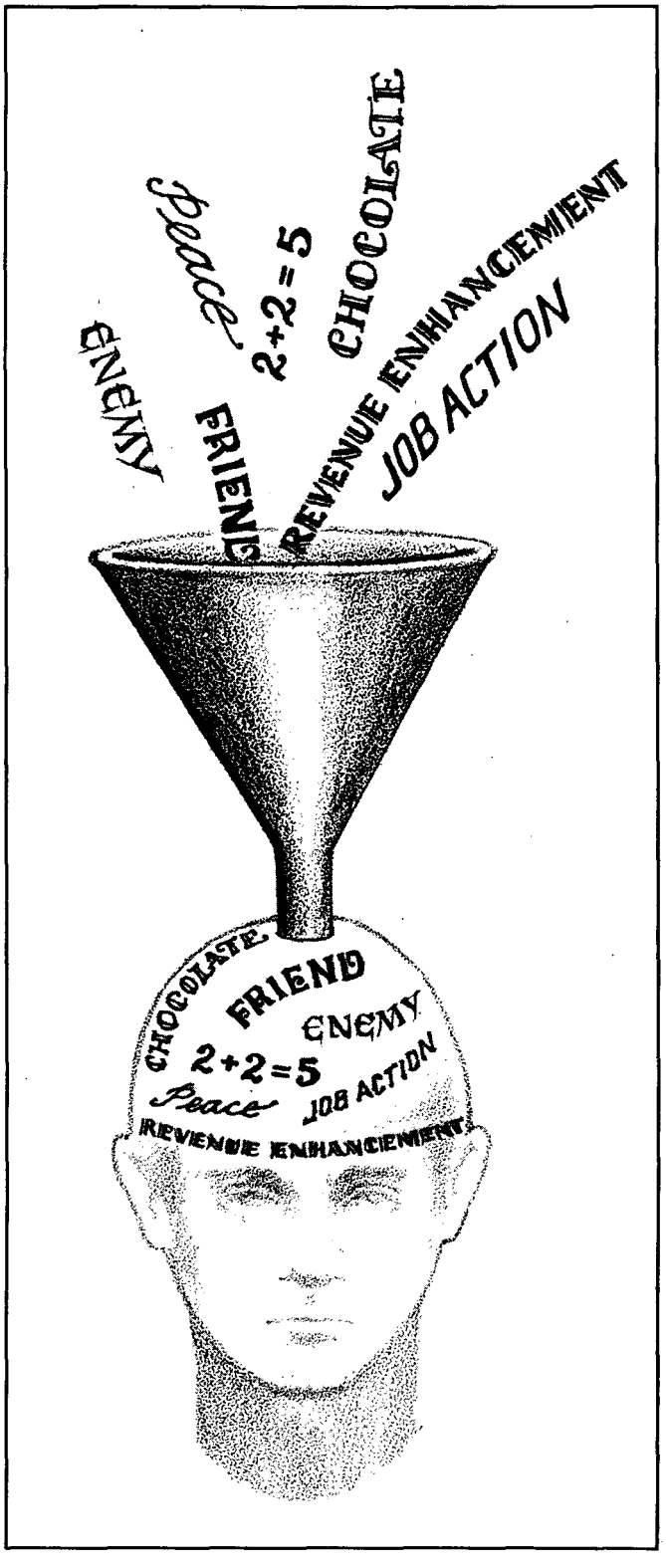
But while Orwell's *Nineteen Eighty-Four* is filled with predictions about collectivization and conformity, militarism and media manipulation, two-way telescreens and torture, it also raises compelling questions about history, language, and truth. A reading of *Nineteen Eighty-Four* can surely help us to identify the threats to personal freedom posed by government data banks and improved behavior-modification techniques, but Orwell's little book can do much more.

In an attempt to clarify the purpose of his popular novel (which has been in print continuously since its publication) Orwell wrote, "I do not believe that the kind of society I describe will necessarily arrive, but I believe...that something resembling it *could* arrive." So Orwell's work is not so much an attempt to predict a particular future society as it is a warning. The society depicted in *Nineteen Eighty-Four* is especially horrible not just because of its technology but because its leadership had discovered a way to go beyond the suppression of rebellion, to make even the thought of rebellion impossible.

The underlying assumption of *Nineteen Eighty-Four* is that the extent to which humans can be controlled has no limit. By contrast, our own heritage of political liberty is grounded in an 18th-century view of human nature as essentially free and rational. Human beings are moral agents: capable of choice, and able to identify connections between cause and effect, we are therefore responsible for our choices. The self-ruled, rational, responsible person is the cornerstone of democratic theory.

But in Orwell's dystopia, this concept of human nature has been discarded, and individuals are held to be infinitely malleable. Can loyalty be elicited simply by employing the correct stimulus-response mechanism? Will the proper conditioning produce a complacent citizenry? Orwell suggests that individuals *can* be effectively controlled through such techniques as the systematic distortion of language and willful manipulation of information about the past.

In *Nineteen Eighty-Four*, the leaders of Oceania continuously redefine truth to meet the changing needs of the Party. For example, when the chocolate ration must be decreased, it is



announced as an increase so that citizens will be pleased with prosperity rather than frustrated by scarcity. What is most shocking is not the audacity of a regime that distorts truth—we who remember the "inoperative statements" of the Nixon years no longer blanch at audacity—but rather the gullible reaction of citizens to implausible or illogical statements. How can this state assure the complicity of its people? The answer lies in the Orwellian horror called doublethink.

Orwell describes doublethink as "to know and not to know, to be conscious of complete truthfulness while telling carefully constructed lies, to hold simultaneously two opinions which cancelled out." Doublethink involves training in thought control. Moments after a public announcement that Oceania is allied with an enemy and at war with an ally, it *is* the case that the friend has always been an enemy and the enemy a friend. Doublethink severs the links between cause and effect that form the basis for conscious choice and hence for moral action. Once we block out past and future, only the present remains. And where there is no possibility for comparison or contrast, relative judgments cannot be made. This is how truth becomes whatever Big Brother tells us is true.

The success of doublethink also rests upon the ability of the Party to control past records. Winston Smith, the doomed protagonist of *Nineteen Eighty-Four*, works in the Ministry of Truth, where as a minor Party functionary he participates in rewriting history. Smith commits many acts of rebellion in Orwell's tale, but the crime that dooms him is his ability to remember the past. Smith *knows* that the Party alters history; he knows too that alternatives to the present world are at least imaginable. Winston Smith simply refuses to be taken in by doublethink. By the end of the story, after capture, torture, and defeat, he loves Big Brother and agrees (literally) that two plus two equals five. While doublethink is grounded on the falsification of history, it also relies on the ultimate weapon: mental terror.

Doublethink is not the only tool used in Oceania to control people's perceptions of reality. An entirely new language—Newspeak—has been created, and it involves the systematic distortion of language. Winston Smith's friend Syme, who is preparing an updated edition of a Newspeak dictionary, delights in the prospect of purifying Oldspeak (our English). He tells Smith, "Don't you see that the whole aim of Newspeak is to limit the range of thought? In the end we shall make thoughtcrime literally impossible, because there will be no words in which to express it."

Many terms in Newspeak mean the opposite of what they appear to mean. The Ministry of Peace is the Ministry of War, while the Ministry of Love, with its prison cells and tortures, is the home of the Thought Police. We undoubtedly have incorporated elements of Newspeak into our contemporary American vocabulary. Bombing is now referred to as "air support," a strike is a "job action," a tax increase is "revenue enhancement," and an economic recession is a "period of accelerated negative growth." Our propensity for doublespeak has been probed in works ranging from Stuart Chase's classic *The Tyranny of Words* and Edwin Newman's popular *Strictly Speaking* to Sissela Bok's recent book, *Lying*.

Orwell exposes the pernicious effects of a distorted vocabulary when he explains the principles of Newspeak. He relates the rationale for purging Oldspeak of unwanted elements: "Given, for instance, the word *good*, there was no need for such a word as *bad*, since the required meaning was equally well—indeed, better—expressed by *ungood*." In such a language it would be impossible to recognize evil, since it would be nameless. If the word *freedom* were redefined to mean only "rid of," freedom of thought and political freedom would be unthinkable. With the distortion and ultimate elimination of moral concepts from our vocabulary, we reduce human awareness; and by producing a single reaction to words, we narrow the range of thought.

The warning from Orwell is that inattention to the politics of language can lead us to deaden the power of imagination and destroy the possibility of conceptualizing alternatives altogether. To a certain extent, current reliance on "diminished-capacity" or insanity-defense pleas in criminal trials may represent just the sort of distortion about which Orwell warns. Will widespread resort to such pleas eventually eliminate the concept of responsibility from our justice system?

Orwell recognized that intellectuals are particularly prone to engage in doublethink. In *Nineteen Eighty-Four*, Winston Smith's torturers "were not ruffians in black uniforms but Party intellectuals." And Orwell characterizes O'Brien, head of the Thought Police, as a man with "an air of intellectuality, as though he had been some sort of literary man."

Why this distrust of intellectuals and ideologues? In a letter written in 1949, Orwell was straightforward about his fears. He wrote, "I believe . . . that totalitarian ideas have taken roots in the minds of intellectuals everywhere, and I have tried to draw these ideas out to their logical conclusion." Orwell was appalled by the failure of British intellectuals on the left to condemn equally the fascism of Hitler *and* Stalin. Orwell's own experiences in Spain fighting against the fascist forces of Franco (which he relates in a riveting account, *Homage to Catalonia*) had exposed the ruthless cynicism of communist factions supporting the Republican cause in that conflict.

So Orwell had little patience with the rationalizations of intellectuals who could ignore or explain away inconvenient facts and unpleasant events. When intellectuals invest their integrity and prestige in a system of thought or partisan activity, Orwell suggested, they are likely to fall prey to a sort of moral blindness. As Winston Smith's friend Syme tells us, "Orthodoxy means not thinking—not needing to think. Orthodoxy is unconsciousness."

What Orwell perceived when writing *Nineteen Eighty-Four* no doubt persists. On a blatant level, the French Communist Party's refusal to condemn the Soviets' recent downing of the Korean jetliner is a case in point. But on a more subtle level, US foreign policy represents a similar moral ambiguity. On the one hand, that orthodoxy poses the United States as a champion of freedom. Yet that same orthodoxy has come to equate freedom with anticommunism, leading policymakers ironically to uphold repressive right-wing regimes in the name of securing world peace and freedom.

What is Orwell's prognosis? Will future generations be fully adapted to the successful working of a system run by a few clear-sighted power-seekers while the many (Orwell's proles) become incapable of thought and preoccupied with problems of mere survival? Will those who cherish intellectual and political freedom become ineffectual malcontents, irrelevant anachronisms, like Winston Smith?

Orwell's warning is that 1984 is a state of mind. He believed that "totalitarianism, if not fought against, could triumph anywhere." And so, it will be 1984 only when we become victims of our own slogans. As long as we can pursue and maintain the widest possible opportunities for choice, we will be able to recognize evil, injustice, and repression, preserve our independence of thought, and fortify the foundations of our political freedoms.

Virginia Muller teaches political science at the University of San Diego. She recently participated in a five-part program on Orwell for cable television.

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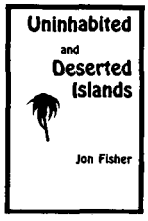

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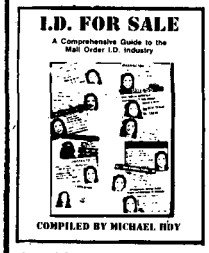

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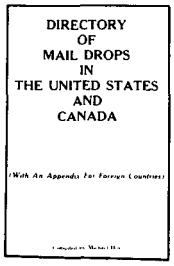

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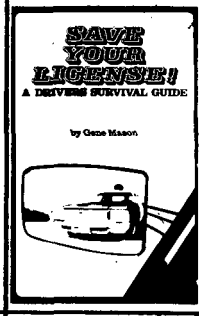

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MONEY

Poised for Inflation?

BY STEVEN K. BECKNER

Investors, take heed: inflation is undoubtedly on the way.

Those who pooh-pooh fears of renewed inflation cite last year's reactionary decline in the velocity of money—that is, the rate of turnover in the money supply, usually calculated as the ratio of the gross national product (GNP) to the money supply. Velocity did fall at a 2.3 percent annual rate last year, after rising an average 3.2 percent annually over the previous 22 years. High returns on dollars caused an increase in demand for money and a corresponding decline in velocity. This helped dampen inflation.

But as John Tatom observed in a recent article in the St. Louis Federal Reserve Bank *Review*, "It is not unusual for velocity to decline in a recession. It is, in fact, quite typical. Given the length and severity of the recent recession, it is not surprising that velocity registered the largest decline in post World War II recessions." So it would be a mistake to think that last year's drop-off in velocity insulates us from the proven inflationary effects of monetary expansionism.

Velocity has been used lately as a fudge factor to discount the expansionary nature of Federal Reserve policy. Changes in velocity certainly cannot be dismissed, but regardless of what happens to velocity, it's wishful thinking to believe the money growth we've been experiencing will not have an effect on prices.

We can expect lower interest rates and the increasing demand for goods stemming from the recovery to decrease the demand for money and increase its velocity. That means high rates of money growth will increasingly affect prices.

The 3-4 percent inflation rate we're now enjoying is unsustainable given the rate at which monetary quantities have been growing over the past year. M1—currency in circulation plus checkable deposits (including NOW accounts)—grew nearly 12 percent between the third quarter of 1982 and the third quarter of this year. The monetary base, probably a more accurate measure of Fed policy, grew by about 9½ percent over the same period. And these rapid growth rates encompass a summer slowdown in monetary growth that greatly alarmed Reagan administration officials. Since August, it appears the Fed has adopted a more-expansionary course, under great political pressure, in an attempt to bring down interest rates.

Donald Maude, executive vice-president and chairman of the interest-rate committee of Merrill-Lynch, says there's no longer any debate over whether or not the Fed has eased credit. "The only question," he says, "is the dimensions by which the Fed has eased." He cited a large decline in net borrowed reserves, which means that the Fed has been pushing more money out through its securities buying ("open market") activities and relatively less through the discount window.

The factor that won't go away is the federal deficit.

Economist Allan Meltzer observed in an interview that "the Fed is trying to keep money growth as high as it possibly can, but every once in a while the market disciplines them." Meltzer is cochairman of the Shadow Open Market Committee, a group of generally free-market economists that monitors the Fed's actions. The Shadow Committee recently predicted that inflation could go as high as 7-9 percent by late 1984. Asked recently about Meltzer's inflation prophecy, Federal Reserve Chairman Paul Volcker declined to comment on the specific numbers but told me his view of the Shadow Committee: "a little extreme."

One of the unheralded reasons why our inflation rate is so low is that the value of the dollar is so high relative to other currencies. The fact that the dollar is overvalued by approximately 30 percent, according to various estimates, may be killing American exports, but it keeps the cost of our imports quite low and puts downward pressure on our price levels.

The dollar's strength will probably change soon—perhaps by a lot. In fact, a substantial dollar downtrend against the traditional hard currencies appears to have started already. Ironically, it began after the US and foreign central banks in August abandoned their joint intervention in the foreign-exchange market to soften the dollar.

There is apt to be some convergence in the coming year between lower interest rates and higher inflation, which will make real dollar yields much less attractive in world capital markets. Merrill-Lynch's Maude predicts that long-term interest rates will be brought down to 10–10½ percent and possibly below 10 percent, while short-term rates could go as low as 8 percent. They will begin to go back up, he predicts, only after the second quarter of 1984, as Treasury borrowing begins to "crowd out" private borrowers.

The factor that won't go away, though it may diminish somewhat, is the federal deficit. How is it to be financed? Currently, large capital inflows from abroad are helping. As economist Meltzer put it, "Bonds have become our major export."

But this deficit is going to put enormous pressure on the Fed as public and private demands for credit clash. Will the Fed allow budgetary financing to kill the recovery, or will it accommodate the Treasury? Volcker will try to walk a fine line between those two courses, but that will be particularly hard in an election year.

All things considered, it's difficult to imagine the Fed being able to keep the growth of the money supply near even the upper reaches of its current 5–9 percent target range. Money created over the past year is in the pipeline, and it will begin to increase inflation by the third quarter of 1984. Further relatively large rates of money growth will lead to higher rates of inflation beyond.

The commodities markets have only begun to anticipate these developments. In the coming months, they could explode. Are you poised, investors?

Steve Beckner is a financial reporter and columnist for the Washington Times *and the author of* The Hard Money Book.

SPOTLIGHT

Pressing for Freedom

BY PATRICK COX

Freedom Newspapers, Inc., is much like any other media chain—29 daily papers and 2 television stations. Except it is written into the articles of incorporation that the organization exists to present a libertarian view of the world.

D. Robert Segal—friends call him D. R.—is the president of Freedom Newspapers. Segal is a libertarian. But to say that is only to scratch the surface. D. R. is a newspaperman—has been since he started working for the *Chicago Tribune* as a correspondent in 1938. "I fell into a rut," he says, "and stayed there. I have no demonstrable talent, and the newspaper business is a great business for somebody like that.

"Also," he adds, "I had a lack of motivation to do anything else. When I started, nobody ever got fired who could stay sober five out of seven hours a day. That's the way the business was then." The fact that Segal was studying medicine at the time he "fell into" journalism would lead anybody with some discernment and objectivity, qualities Segal admits are necessary for good journalism, to doubt his self-effacing statements.

Segal worked for several papers before the Army Air Corps brought him to Santa Ana, California. This gave him the opportunity to work for all the Los Angeles papers, "moon-lighting." Another self-deprecating explanation: "They were taking anything that could walk through the door." After leaving the military in 1945, he went to work—"temporarily," he thought—for Freedom Newspapers at their flagship paper, the *Santa Ana Register*, in Southern California.

There, he was exposed to the late R. C. Hoiles, the founder of Freedom Newspapers. Through this association, Segal came to adopt Hoiles's philosophy of individual freedom, "probably by osmosis," says Segal. "I did not see a blinding light," he confides. "I'm not the born-again variety."

It occurred to me to ask Segal what it is like to be an individualist in the predominantly liberal press. He disagreed with my assumption. "Most newspapers pretty much reflect the vague political views of the subscribers," he explained. "The owners of a very large paper that is commonly perceived as a liberal, prounion paper are, in fact, strongly opposed to unions in their own shop. I asked a well-known editor about that and he said, 'Well, this is the real world.' I said, 'You're right.' "

So I asked Segal what it's like to have a paper with a consistent philosophy in a predominantly nonphilosophical business. "Not as exciting as it used to be," he told me. "Twenty or 25 years ago, the things we said were highly inflammatory. There were frequent threats of violence. R. C. Hoiles's house in Ohio was bombed—they blew off his front porch. Our paper boys had ink thrown on them. It was very stimulating."

D. ROBERT SEGAL

In fact, the National Education Association and the Parent-Teacher Association once made Freedom Newspapers' stance against government schools a national issue. Boycotts were not uncommon. When Segal was vice-president, he often found groups organized and waiting to demonstrate when he arrived in some town to set up a paper. Segal speaks fondly of those times: "It was dull in those places. It was the only game in town—the local bullfight, the lynching of the martyrs—good clean fun. Advertisers would pull out for a month but come back when their business fell off. Eventually, the organizers became an annoyance and somebody would say, 'Maybe we *could* use a good critic to keep us on our toes.' That's the cycle."

Freedom Newspapers activities in Texas were the object of particularly intense activism. Judge Roy Hofheinz, who later became the mayor of Houston, used what he called the "California Mafia" as an issue to draw unfavorable attention to a television station Segal was starting. "There were rallies, and meetings denouncing us," Segal recounts, "and everybody felt much better for it, saying, 'By God, we showed them.' "

But nowadays, Segal recounts wistfully, the papers' editorial positions don't make the same splash they used to. "In the age of sexual liberation and drugs," he explains, "who gets excited when you say that government shouldn't run the schools or the money-printing press? People are more worried about whether or not the nuclear power plant in their neighborhood is going to blow up. They're not too very damned interested."

Freedom Newspapers is expanding, presently considering the purchase of several more television stations, and is undergoing some growing pains. Members of its board of directors—almost all Hoileses or their relatives—are in disagreement about how best to accomplish goals that they all seem to share. Despite national attention, Segal shows no concern. An editor at the *Register* describes him as "an ideal CEO."

"I love newspapers and newspaper people," explains the one-time medical student. "My primary concern has long been the selection, care, and feeding of people. For about the last 10 years, newspapers have gotten bemused by the influx of new technology—the magic-eye drinking fountain. Whenever publishers got together, they talked about some new machine, and the human element slipped—we *let* the human element slip. None of the machines do what they say they will, anyway. *People* make the difference."

Segal runs his papers that way. He says he offers people maximum individual freedom and minimum bureaucracy, and he encourages people to enjoy themselves. "If you are a zealot," he says of people who take their work too seriously, "find yourself a stake, get burned, and we'll have a barbecue. *I* intend to have a good time."

Patrick Cox is a frequent guest columnist for USA Today *and public affairs director of the Pacific Institute for Public Policy Research.*

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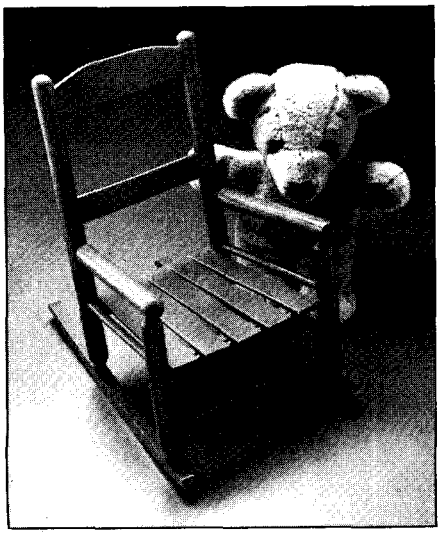

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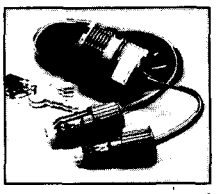

How would you like to recharge your car battery without ever opening the hood? Sound impossible? It's not, thanks to the Easy Charge. With traditional jumper cables you have to maneuver a second car fender-to-fender with the disabled car, open both hoods, and attach leads from battery to battery. The Easy Charge simplifies this process brilliantly by substituting connection from cigarette lighter to cigarette lighter. Just plug one end into the lighter of a running car, pass the 16' cord through both car windows and insert the other end in the lighter of the disabled car. After a few minutes' wait the battery is recharged sufficiently to restart the car. **$20.00** ($2.95) #A629. Two for **$37.00** ($3.95) #A6292.

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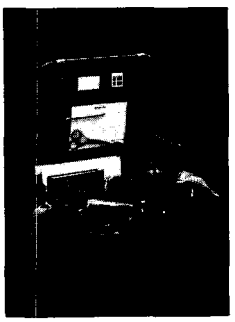

This oversize bag is an overwhelming success with photographers, artists, students, musicians, dancers, opera singers, nuns, poets, duck hunters, cyclists, plumbers, teachers, reporters and travelers... because it's a veritable labyrinth of roomy pockets. Its real name is the Danish Bookbag. Made of waterproof canvas that wears like iron, the bookbag has an unusual zipper design that enables the bag to expand to double its normal width — to a full 8 inches — so there's always a place to stuff one more thing. It measures 15½" L x 11" H, has two outer pockets in front, a large back pocket and an adjustable 2" wide strap to make the burden easier. Choose grey #A483, brown #A484, blue #A569, black #A564 or red #A568. **$59.00** ($3.95).

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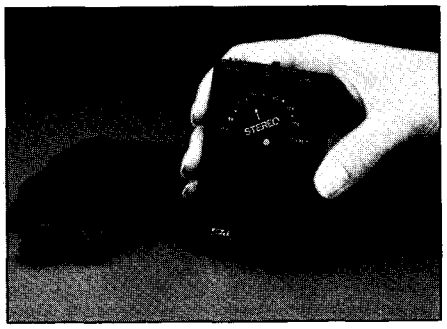

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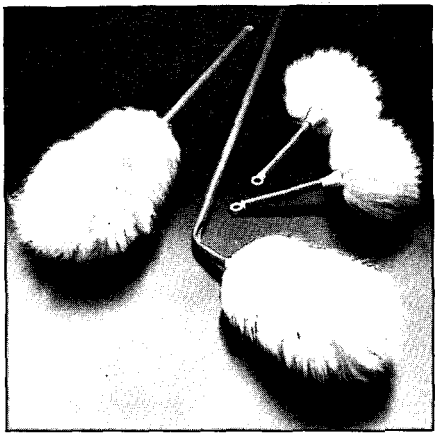

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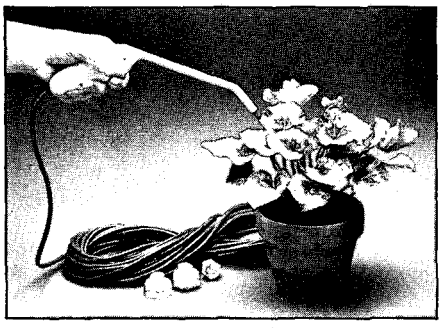

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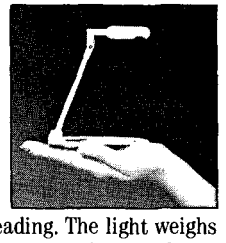

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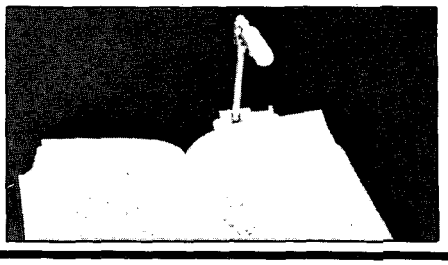

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arts & letters

MOVIES

Reviewed by John Hospers

Merry Christmas, Mr. Lawrence

There have been numerous films about American and British soldiers in Japanese prisoner-of-war camps in World War II, of which *King Rat* is a fairly standard example. Most outstanding among them is David Lean's *The Bridge on the River Kwai*, which exemplifies the classic Aristotelian requirements of esthetic form such as organic unity, development, mounting tension, reversal, and climax. It is not without reason that this work has become a cinema classic.

Now we have an entirely different kind of prisoner-of-war picture, set in Java in 1942. It is *Merry Christmas, Mr. Lawrence*, from the gifted Japanese director Nagisa Oshima. He does not shrink from the direction of the Japanese code of that time—the pointless beatings, the torture, the strange sense of justice whereby it doesn't matter who is being punished as long as someone is punished. But he is also sensitive to the contrasting British culture of the prisoners. This is especially true in the long flashback by which one of the prisoners (David Bowie, in a surprisingly effective portrayal)—as he is being buried by his captors with only his head above ground—reflects on his betrayal of his brother and the resulting guilt which made him anxious to participate in the war as an escape. On the whole, the film is a revealing and richly textured study in contrasting cultures.

David Bowie's portrayal of prisoner-of-war Major "Straffer Jack" Celliers is surprisingly effective in MERRY CHRISTMAS, MR. LAWRENCE.

There was a vital clash in *Kwai*, between the British general who wanted to do everything well, including the building of a bridge for the Japanese, and the other British officers whose aim was to destroy the bridge. The clash in Oshima's film is between the Japanese ideal of valor, which requires committing hara-kiri rather than undergo "dishonor," and the Western ideal, which permits a captured soldier to live to fight another day. The latter values are exemplified by the principal character, flawlessly played by Tom Conti, who with his knowledge of the Japanese language becomes a kind of bridge between the two cultures.

The final irony of the film is that after the war, the Japanese officer responsible for the cruelty is not caught, but the one who was kind to the prisoners is executed. As Conti remarks, "You think you're right, and we think we're right, and the truth is that neither is right." (This is analogous to the final comment by a British officer in *Kwai*: "Madness! Madness!")

There is nothing in this film of the riveting tension mounting almost past the point of endurance that pervades *Kwai*. But if you relax and let the film do its quietly effective work scene by scene, you may find it to be in its own way rewarding.

The Big Chill

They were all revolutionaries together in the 1960s. Now, almost 20 years later, they meet again for the funeral of one of their number. None of them eschews the revolutionary ideas today, but they have simply lost interest: some have homes and families, others are involved in personal catastrophes of one kind or another, and they all tend to be apolitical now.

The Big Chill is the story of their weekend meeting for the funeral. The peculiarities of each of them are artfully sketched, with simple words and actions revealing the distinctive nature of each one. But though the characters are quite individualized, there is not much reason to care a great deal about any one of them. As a result, their many interactions, secret sexual escapades, and black-humor witticisms soon become—along with the whole film—a colossal bore.

John Hospers is the author of Understanding the Arts. *He teaches philosophy at the University of Southern California and is the editor of the* Monist.

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THEATER

A Different Kind Of Love

By David Brudnoy

Just when you thought somebody might bite the proverbial bullet and do a Broadway extravaganza celebrating whatever it is that makes homosexuals different, along comes *La Cage Aux*

Folles. It is the most delightful pro-"normal family" show you could imagine in these despairing times.

After a long-running French play and the most popular foreign movie ever to play in the States, the theme has jelled, the idea becoming something of a fixation in more than one theater brain. With music and lyrics by Jerry Herman (*Mame, Hello, Dolly!*, and much more) and a book by Harvey Fierstein (the Tony-winning playwright and actor for *Torch Song Trilogy*), this musical wonder has captivated New York and in short order will be doing the same across the land.

I saw it first in Boston, often compared to San Francisco for its bayfront charm

All in the family (of a sort): George Hearn as Albin and Gene Barry as Georges in the musical LA CAGE AUX FOLLES.

but *never* compared to San Francisco for its attitude toward homosexuality. Still, Boston took to *La Cage Aux Folles* with such enthusiasm that the city fathers celebrated it with a *La Cage* day, unheard of in a backwater that regards theater much as Jonathan Edwards and Cotton Mather regarded frivolity. Probably the gushing word of mouth from Boston sufficiently ruffled the feathers of some Gotham critics that they retaliated by giving the show only glowing instead of ecstatic reviews.

La Cage is sold out in New York till approximately the Tricentennial, but the national company is soon to be formed and before long the incredible money-making machine called *La Cage Aux Folles* will be everywhere. So while the Moral Majority is gaily trying to use the AIDS scare as a bludgeon to whomp homosexuals back into the closet, America will see a show that revels in sanitized images of the homosexual world and equates the homosexual lifestyle with the most prosaic of heterosexual married patterns.

This, of course, is the winning formula of *La Cage.* It gives us glitter for hours, but also a paean to connubial fidelity and monogamous longevity. Whatever you are, *whoever* you are, there is something—in fact there are many things—to love about *La Cage.*

I can say without any reservation that *La Cage* playwright Harvey Fierstein—who is suddenly all the rage—is certifiably brilliant. His brilliance as a writer is somehow connected to his cohesiveness as a person: he is, and has always known that he was, homosexual. He has lived that life and accepted it totally. He champions the life patterns of his roots, as conventional as apple pie (or at least as chicken soup) and he truly believes that the best of the homosexual world is its freedom to choose precisely that which is best in the heterosexual world.

Even more skillfully than Jean Poiret's French play and the fantastic, hilarious movie did, the musical *La Cage* creates the loving relationship of Georges, a nightclub owner, and Albin, the club's featured entertainer who performs in drag as "Zaza." One day years earlier, just to see "what all the fuss was about," Georges had a heterosexual experience. From that came a son, Jean-Michel, whom Georges and Albin have raised.

Now, Georges and Albin's domestic bliss is disrupted not by another man but by an impending heterosexual marriage—Jean-Michel's. The father of the young man's fiancee is a Gallic Jerry Falwell, a champion of "morality" who loathes homosexuals and is quite happy to tell anybody his views. Jean-Michel wants Albin to make himself scarce so that Georges can feign heterosexuality and somehow the young man can get through an evening with his father and prospective parents-in-law.

Our Albin requires quite a bit of jostling to understand exactly what is being asked of him: get out so you don't embarrass the callow youth whom you have raised as a son from his first days on earth. When he does understand it, he gives the first act closer, "I Am What I Am," which pulsates with rage and bitterness and plucks at every heartstring. It has already become for homosexuals what "Lift Every Voice" is for blacks, something of an informal national anthem. It is, by the way, an absolutely wonderful song: no more closets, no more pretense. What one is, one is, and he who can't accept what he is—is nothing.

La Cage Aux Folles resolves itself in the second act more or less as a splashy musical must, with confrontations, deceptions, role reversals, exposure, raucous artifice, and the coming together

AN UNDERGROUND LEGEND

VONU:
The Search For Personal Freedom
By Rayo
Edited by Jon Fisher

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By Rayo

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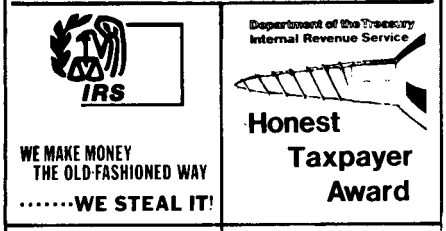

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of those who have been separated because of the young man's stupidity and thoughtlessness. The bigot is a caricature as he was in the movie. Fierstein has taken the easy way out by making him so ludicrous that even those who dislike homosexuals intensely will be embarrassed by this dreadful man. The boy and his fiancee are bubbleheads, as young lovers are easily made to be on the American musical stage. The chorus of ten male and two female dancers are all gorgeous and fabulously outfitted in female costumes and wigs by Theoni V. Aldredge. You while away slow moments (actually slow seconds, since there are no slow moments) trying to guess which of the twelve are the women.

Gene Barry as Georges, and especially George Hearn (*Sweeney Todd*) as Albin, are phenomenally good. *La Cage Aux Folles* is no breakthrough for gay liberation, but it's a tremendous shot in the arm for the theater. And for the family.

You figure it.

Contributing editor David Brudnoy reviews the arts for WNEV-TV (CBS) and WRKO-AM and is film critic for several Boston-area newspapers. He is host of a nightly talk program on WRKO, writes regularly for the Boston Herald, *and syndicates a thrice-weekly newspaper column.*

LETTERS

(Continued from p. 8)

tend to treat diseases by administering massive doses of vitamins and herbs.

• Cancer quacks of all variety, who profit from false promises made to those in pain or in despair.

What all of these "alternative medical practitioners" have in common is that the results of their supposed treatments cannot be objectively demonstrated.

And anyone who accepts payment by promising to cure a medical problem but in the end cannot do so is defrauding the sufferer. Since the prosecution of fraud is one of the few legitimate functions of government, states such as California are properly protecting the rights of their citizens when they bring charges against those who delude sufferers with fraudulent promises of medical assistance.

Robert Sheaffer
San Jose, CA

Mr. Gordon replies: Mr. Sheaffer is mistaken to conclude that REASON promotes the work of alternative medical practitioners as such. But we do defend their right to practice and the patients' right to obtain the practitioners' services.

The fact is that many patients of chiropractors, holistic healers, and witch doctors are satisfied with the care they receive. We may think this is silly, but surely individuals should be free to choose any mode of health care, no matter how sensible or harebrained. So long as the people directly involved—the patient and the practitioner—enter into their transaction voluntarily and keep any promises they make, no bureaucrat should be able to interfere.

How about fraud? As Mr. Sheaffer says, one of government's proper functions may be to prosecute fraud. At least government should provide a legal framework in which victims of fraud can seek restitution from the perpetrators. But a just legal system should not discriminate in this instance among a Harvard Medical School graduate, a Christian Science practitioner, or a purveyor of spinach cures. None should be barred from practice by licensing laws or other preemptive regulation, but all should be subject to the same laws against deceit, contract violation, and criminal negligence. Health-care providers of all persuasions would thus be accountable to their patients, not to overoxygenated government attorneys in Sacramento or Washington. And that's what REASON defends no matter how well or badly people exercise their free choice.

It's Even Worse Than We Thought

In "The User Fee Illusion" (Aug.), Steve Hanke observed that government services cost approximately twice as much as similar services provided by private businesses. From the limited data I have seen, especially for education, I suspect that consistent accounting would show a higher average cost differential, probably at least triple instead of only double.

However, whatever the correct ratio, it is important to note that we are comparing the government cost with the private

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cost for a particular service *with nothing else changed.* If *all* government services were privatized and taxation and regulation were eliminated in a *completely* free market, the private cost should drop by around two-thirds. Thus the cost of government services (those that would be voluntarily demanded) is probably 6 to 10 times the free-market cost.

This ratio may seem large if one considers only the greater efficiency of private enterprise, which is stimulated by the profit incentive. But government interference in the economy creates tremendous waste, and a large part of the present cost of all factors of production is due to this waste and the taxes that are embedded in the cost of everything.

While government agencies providing services may avoid paying property and sales taxes, they cannot avoid paying for the economic waste and taxes that inflate the cost of labor and other resources they consume. In short, the cost of services now provided by both businesses and governments are inflated by the inclusion of the costs of government activities that few would voluntarily pay for.

W. Alan Burris
Pittsford, NY

Fickle Freedom Fighters

Of course the roots of the American feminist movement are individualist ("The True Mothers of Feminism," July). Women were oppressed by law and by custom, and they sought freedom. Now that they are free, the leaders are looking for new worlds to conquer. The same is true of the now-statist black-advancement movement, which began as an anti-slavery movement.

Those who have been oppressed often yearn to be oppressors. The French and Iranian revolutions come readily to mind, and history is replete with other examples. The Pilgrims didn't come to Plymouth to escape religious persecution; their previous flight to Holland had assured them of that. They came because they wanted to deny freedom of choice to their children (and they were so dogmatic that some of the children fled to New Hampshire).

An organization has a will to live just as an organism does. Freedom is sought as a means to advancement rather than as an end in itself; and when it is attained the legal staff, which is trained to argue any side of an issue, begins a program of oppression of the former oppressors. In this way the staff of the pressure group has something to do and need not disband. Thus, equal opportunity has been perverted into affirmative action, and those who favored the first mindlessly accept its opposite....

M. D. Isely
Trona, CA

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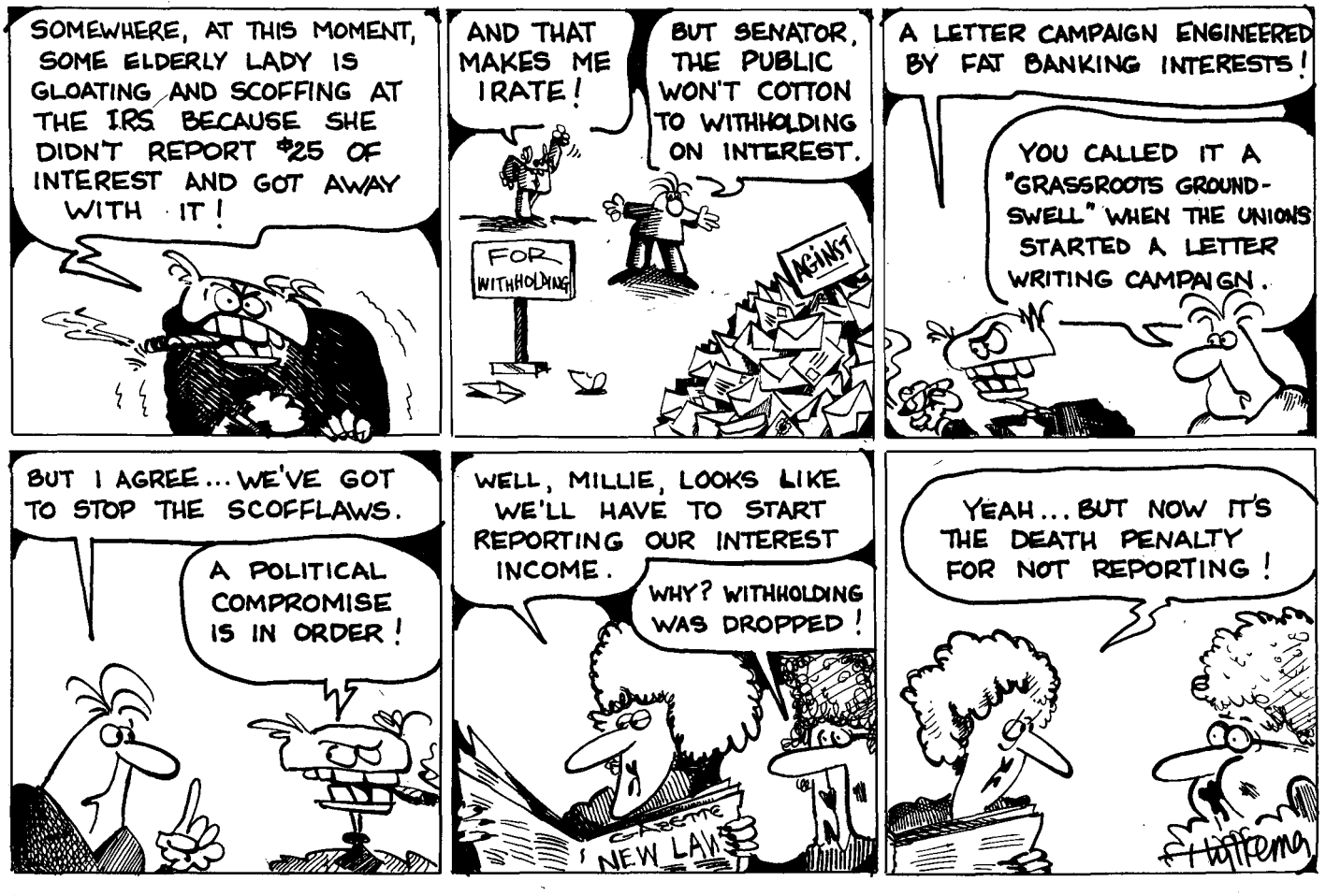
RANDALL K. HYLKEMA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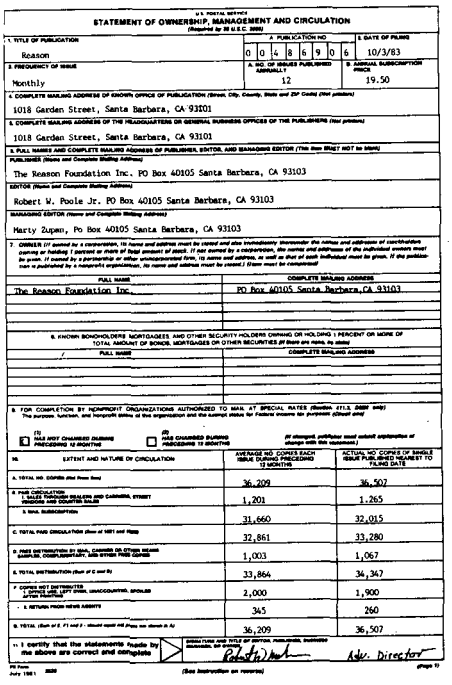

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PRIVATE AYES OR PRIVATE NAYS?

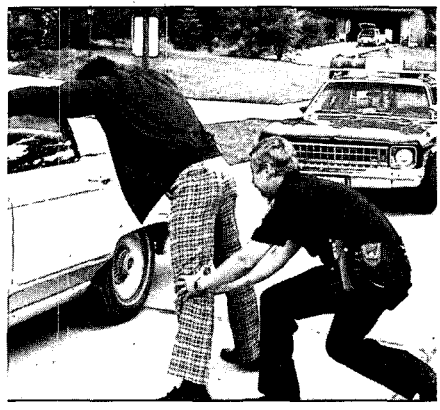
"The experiences of several small towns has proved that even police services can be privatized." So concluded REASON in November 1982 ("Cops, Inc.").

Newsweek saw it differently. When in April 1983 the magazine published a report on privatization that picked up on several REASON stories, it said that Reminderville, Ohio, and neighboring Twinsburg Township were having second thoughts about contracting out their police protection to Corporate Security, Inc.

Now REASON has learned that Corporate Security's contract was not extended when it came up for renewal this fall. But *Newsweek*'s negative story may have had a hand in that.

Where REASON had pointed out the cost savings when the private firm purchased used police cars and equipment, *Newsweek* called the used cars "well-worn old battleships." And where REASON had countered "rent-a-cops" charges with the information that Corporate Security had hired academy-trained, certified police officers, *Newsweek* referred to them as "guards."

Reminderville's council members were disturbed by *Newsweek*'s implication "that we were being protected by security guards instead of professional police officers," councilman Tom Schmida told REASON recently. He and



other council members wrote *Newsweek* to that effect, but no letter was ever published, he said.

Schmida told REASON that Corporate Security's service was "excellent." But Reminderville had "come to a point where we were ready to set up our own police department." Schmida mentioned some difficulty getting mutual aid agreements with nearby communities and some problems with insurance. But in the end, one wonders whether it wasn't *Newsweek*'s disdain that needled the town into opting for "our own police department." Twinsburg Township followed suit, even though taxpayers in both towns will be footing bills larger by yet-unknown amounts.

Meanwhile, Arthur Robataille, president of Corporate Security, isn't too worried. His company's reputation has spread, and he told REASON that he's negotiating with another Ohio town to provide local police service where none now exists (he's keeping mum about the location). He expects that a final decision will be made early next year.

Privatization Program Director

The Reason Foundation's Local Government Center is looking for a full-time director. The job involves research and writing on all aspects of privatization, creating computerized data bases, public speaking, and organizing conferences and seminars. The ideal candidate should possess skills in all of these areas; have at least a B.S. or B.A. in economics, government, or political science; and be willing to work long hours at less-than-ideal pay.

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THE RIGHT ROAD

The voters of Harris County, Texas—which contains metropolitan Houston—in September approved by a margin of more than 2 to 1 a $900-million bond issue to construct three toll roads to improve the area's traffic situation. Only three months prior to the bond approval, these same voters had decisively rejected a $2.35-billion bond issue to build a rail transit system (see "Houston Voters Derail Boondoggle," Trends, Sept.). The bonds will be paid off with revenue collected at the toll booth, instead of, as is more usual, revenue siphoned from taxpayers' pockets.

As Tom Hazlett reported in our November issue ("They Built Their Own Highway..."), the rapid growth of booming Houston—the nation's fourth-largest city—has strained the area's road capacity somewhat. But once again, the Harris County citizenry appear to have made the wise choice. For, if Jeff Riggenbach was right when he suggested in these pages that the nation's most dynamic cities are those catering to the automobile ("Vroom to Grow," Jan.), it may just be that Houston—notwithstanding its phenomenal growth to date—ain't seen nothin' yet.

AND MORE

- *House sale sailing.* British Prime Minister Margaret Thatcher is making swift progress in selling off much of Britain's 6.5 million state-owned "Council" houses. John Blundell, in our February issue, had reported that the housing sale was going at a quick pace ("Margaret Goes to Market"). Indeed, the *Wall Street Journal* reported in September that 250,000 of the Council houses had been sold.
- *Curbing city hall.* Are local governments liable for antitrust violations when they award exclusive franchises (like cable TV), regulate local industries (like taxis), or monopolize local services (like refuse collection)? States are exempt from federal antitrust laws, and for many years local governments were thought to have such immunity by extension. But in 1982, as REASON has had occasion to mention several times, the Supreme Court ruled that the immunity does not necessarily hold (a state law must very specifically authorize the local government's trade-inhibiting activities). Now a federal district judge has ruled that an Arizona law allowing cities in that state to award cable TV franchises does not also provide antitrust immunity.

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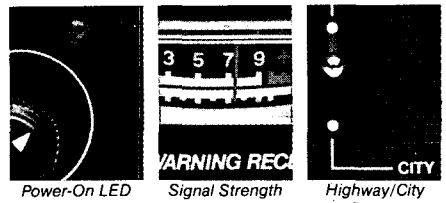

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